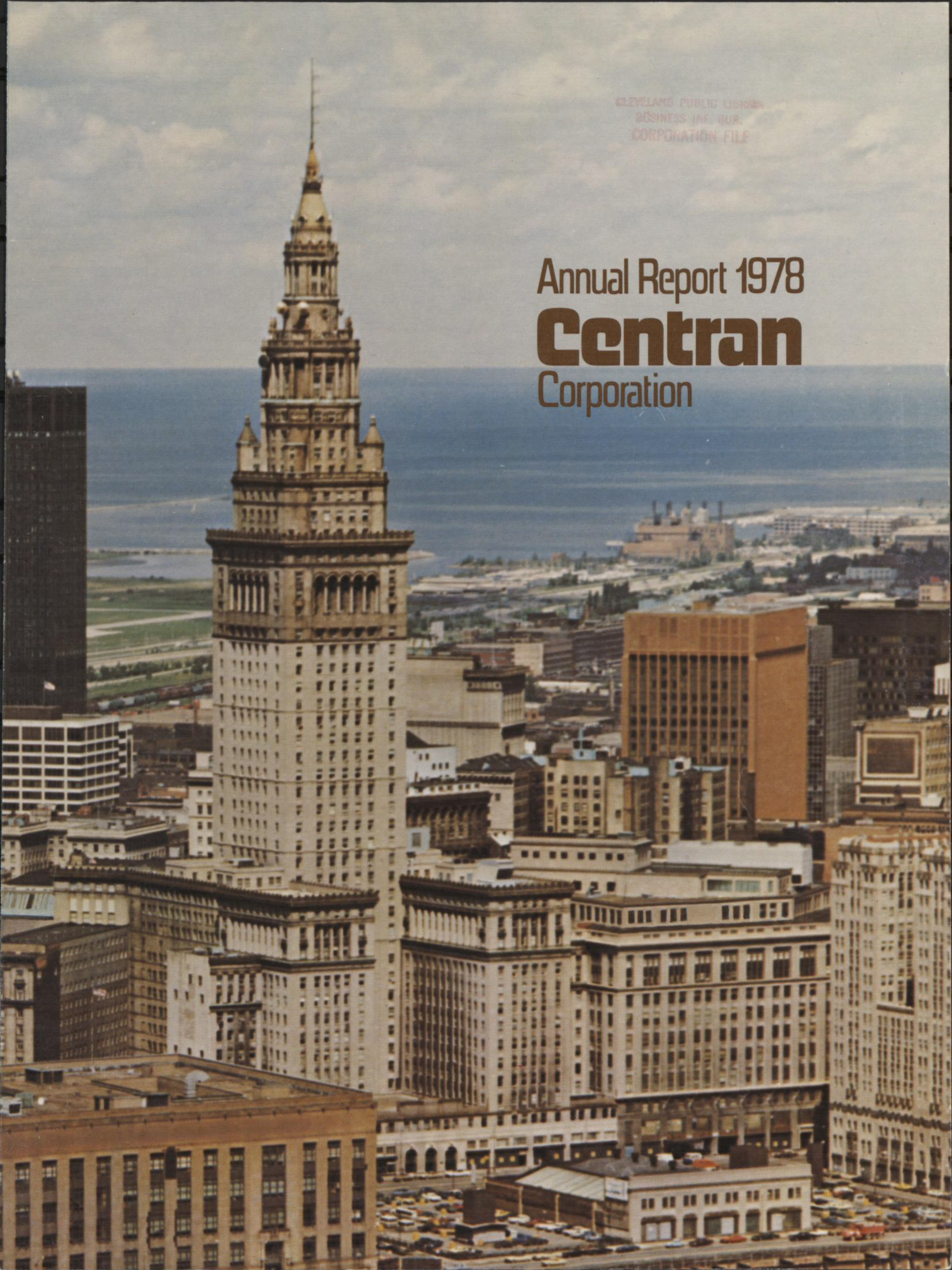


CLEVELAND PUBLIC LIBRARY
BUSINESS INF. BUR.
CORPORATION FILE

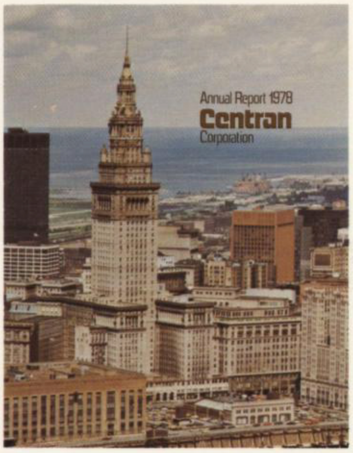
Annual Report 1978

Centran
Corporation

Contents

Highlights 1
Chairman's Letter 2
President's Letter 5
Cleveland enterprise continues to thrive 6
Centran's record growth reflects long-term strategies 7
"Advanced services" spur area's growth 11
Financial Section 13
Corporate Structure and Operations 42
Corporate Information 44

The Greater Cleveland area—in which Centran and its principal affiliate are based—has established a strong economic base to support its continued growth and development, as is demonstrated by the information and illustrations incorporated in this report.



Centran Corporation is a major, regional bank holding company based in Cleveland, Ohio. With total assets exceeding $3.1 billion, Centran's affiliated banks and non-bank companies provide financial services through more than 100 offices located in the United States and in key international centers.

Centran
Corporation

Highlights

CLEVELAND PUBLIC LIBRARY
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For the Year	**1978**	**1977**	**Change**
Income Before Security Transactions	$ 20,751,000	$ 16,498,000	+25.78%
Net Income	18,797,000	15,656,000	+20.06
Return on Capital:			
Income Before Security Transactions	13.11%	11.12%	+ 1.99
Net Income	11.88	10.55	+ 1.33
Employees (Full Time Equivalent)	2,458	2,455	
Average Common Shares Outstanding	3,865,726	3,858,446	
Per Common Share			
Income Before Security Transactions	$ 5.18	$ 4.20	+23.33%
Net Income	4.67	3.98	+17.34
Cash Dividends Declared	2.04	1.90	+ 7.37
Common Capital	41.49	38.88	+ 6.71
At Year-End			
Total Assets	$3,153,459,000	$2,333,901,000	
Total Deposits	2,233,978,000	1,742,758,000	
Net Loans	1,273,587,000	1,066,871,000	
Common Shares Outstanding	3,868,799	3,862,749	
Common Shareholders	11,276	11,423	

I'm pleased to report that 1978, our seventh year of operation as a major regional bank holding company, was outstanding.

In addition to attaining record earnings, Centran made significant improvements in products, services, and management structure during the year. These have strengthened Centran and should contribute to future earnings growth.

Earnings reached all-time high—dividend raised

Centran's operating earnings rose 26% to $20.8 million from $16.5 million for the year ended December 31, 1977. Net income increased by 20% to $18.8 million for 1978 from $15.7 million the year before.

Operating earnings per common share were $5.18, up 23% from $4.20 for 1977. Net income per common share was $4.67, compared with $3.98 the previous year.

The difference between operating earnings and net income was due to security losses taken, primarily in the fourth quarter, as opportunities arose to reinvest in higher-yielding securities, which will enhance future operating earnings.

Centran's return on average earning assets was a record 1.00%. The return on average total assets was 0.79%, up from 1977 and just below the record 0.80% in 1976.

Return on average capital was a record 13.11% in 1978, up from 11.12% in 1977 and the previous high of 12.29% in 1974.

In December 1978, your Board of Directors declared an increase in Centran's regular quarterly cash dividend—raising it to 54 cents per common share from the 50 cents paid previously. This action, reflecting our earnings growth, raised the indicated annual dividend rate to $2.16 per share from $2.00. It's the fourth consecutive dividend increase in as many years.

A 1978 operations review, entitled "Centran's Record Growth Reflects Long-Term Strategies," describes our major efforts to meet growth objectives in earning assets, deposits, and income while maintaining control of expense.

Inflation is major problem of 1979

Despite President Carter's commitment to battle inflation, it will not be easily controlled and will continue as the major economic problem of 1979.

We anticipate that consumer and capital spending will remain at high levels throughout the first half of the year. Interest rates most likely will continue to rise as the Federal Reserve endeavors to curb inflation by constraining growth of the money supply until the vigorous demand for credit subsides. The prime rate may reach or exceed 13% before credit demand and general economic activity moderates.

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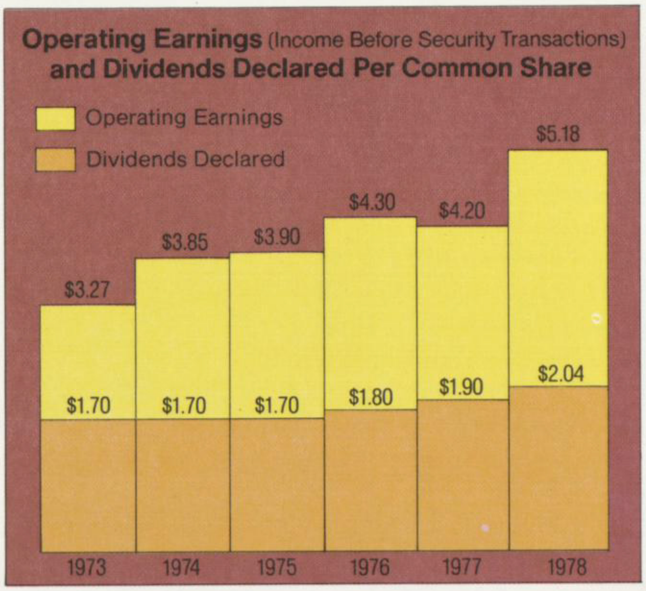
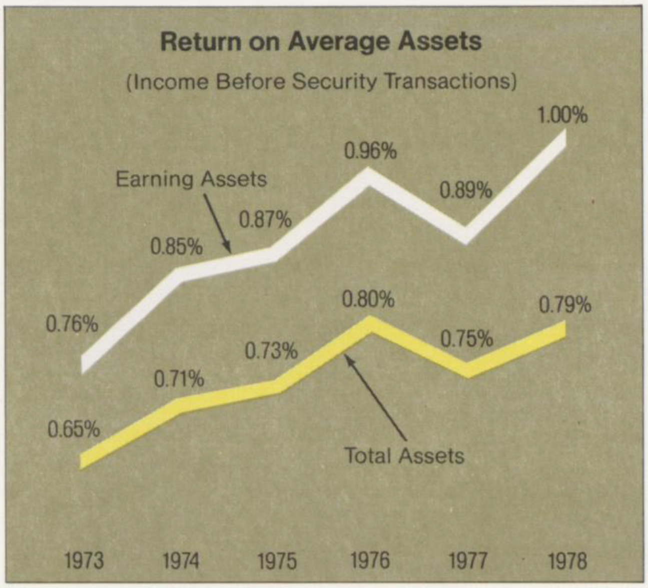
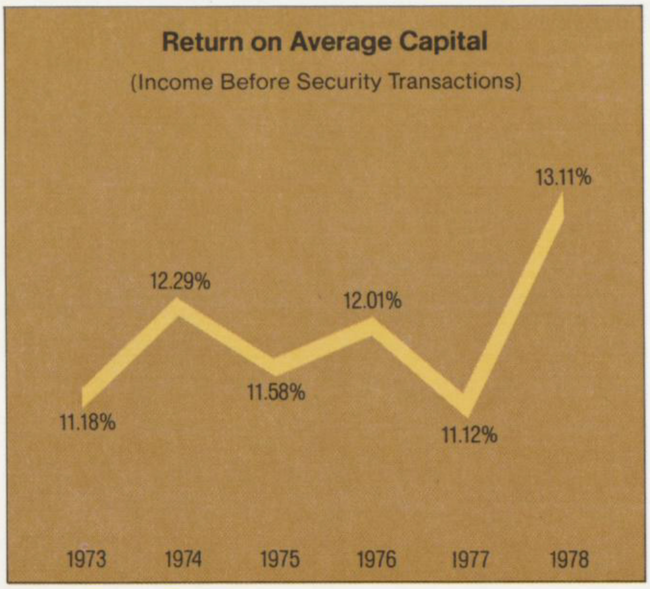


Operating Earnings (Income Before Security Transactions) **and Dividends Declared Per Common Share**



Return on Average Assets

(Income Before Security Transactions)



Return on Average Capital

(Income Before Security Transactions)

Economic indicators, however, are trending downward and may be signaling the development of a recession in the latter half of 1979. Although such a recession is unlikely to be as severe or as prolonged as the 1973-75 recession, it could alleviate mounting inflationary pressures.

Historically, fluctuations in earnings of the banking industry lag behind changes in the general economy. We anticipate, therefore, that the industry's earnings will continue strong throughout most of this year.

Concerned people can resolve Cleveland's problems

At the end of 1978, widespread publicity was given to the City of Cleveland's default of $14 million in short-term notes held by local banks—including $3 million held by Central National Bank, our principal affiliate.

As we're indicating in this report, however, the Greater Cleveland area has a basic economic vitality that can contribute to its continued growth despite current political and financial problems within the central city.

Cleveland's problems are manageable—given reasonable people working together toward common goals.

The local banking and business community has offered to assist public officials in developing viable fiscal programs to restore Cleveland's credit and reputation.

Management strengthened with addition of Wilson M. Brown, Jr.

Wilson M. Brown, Jr., who has established an outstanding record as a bank chief executive, was elected president and a director of Centran and president and chief executive officer of Central National Bank in the fall of 1978.

With his addition to the organization, Centran now has completed a long-range program to strengthen the top-level management structure of the corporation and its affiliates. In past reports to you, we have explained our actions to restructure the management and reporting responsibilities within Centran and the filling of key positions with the most capable executives we could find—selecting many from inside Centran, but not hesitating to go outside when necessary to obtain the right person.

Prior to joining us, Wilson was president and chief executive of Southeast National Bank of Pennsylvania and also was serving as a director of the Federal Reserve Bank of Philadelphia. Before becoming president of Southeast National, he was senior vice president of North Carolina National Bank with complete responsibility for all commercial lending activity throughout the state.

Contiguous-county banking provides growth opportunities

Changes in Ohio's banking laws permit banks to establish branch offices in counties contiguous to those in which their headquarters are based. In ten years, branch offices will be permitted anywhere in the state.

Under the provisions of the law now in effect, Centran could expand the office locations of its affiliated banks from 5 to 23 of Ohio's 88 counties. Our five-year contiguous-county banking plan has identified the counties offering the best potential for growth. We have filed applications for contiguous-county offices and plan additional facilities in 1979 and beyond.

Similarly, we have studied the remainder of Ohio's counties and determined which offer the best opportunities to enhance Centran's earnings in the forthcoming statewide banking environment. We are evaluating the options to establish Centran's presence in these counties by initiating or acquiring banking facilities.

We appreciate the continued support of our shareholders and the dedicated efforts of our employees. Their excellent performance enabled Centran to exceed all major objectives for 1978.

Sincerely,

John A. Gelbach

John A. Gelbach
Chairman and Chief Executive

March 9, 1979

Centran
Corporation

President's Letter

Late last summer when Jack Gelbach discussed with me the opportunity to become president of Centran Corporation and Central National Bank, I naturally attempted to analyze in detail Centran's past record, the quality of its management, its competition, and its trade area, where my family and I would make our home.

The perceptions—the impressions—that led me to join this fine institution have been borne out, and I would like to share them with you.

The Greater Cleveland area seemed to be similar to other large metropolitan centers, with both the advantages and problems of mature urban areas. But, I also sensed that there was a unique difference. Cleveland has a strong economic base—a vibrant, vigorous economy—and is strategically located at the center of the nation's industrial heartland. Last summer, political problems were being mentioned in the press, but all big cities have political problems.

I arrived in late November, and the political problems were real and serious. The city was facing a severe short-term cash crisis, and the political leadership was practicing confrontation rather than compromise and consensus. The well-publicized default by the city in mid-December should not have occurred, but it did.

The City of Cleveland's problems are serious, but they are short term in nature. There is an ample tax base to support needed city services, provided there is good financial leadership and sound fiscal policy. The first step to curing Cleveland's present problems was taken last month when voters approved an increase in income taxes. When firm controls are placed on the city's finances, Cleveland will, over the next few years, see its way out of its near-term problems.

The national press coverage has been embarrassing because it leaves the impression that we live in an economically distressed area when just the reverse is true. The tremendous economic strength of the region is complemented by many fine and diverse cultural institutions.

We want our shareholders, our customers, our friends to understand fully the economic vitality of the area in which Centran operates because it is the underpinnings for continued growth of your Corporation. That's why we are devoting a part of this annual report to highlighting the economic and cultural strengths of the Cleveland area.

From 30 years in banking, I knew of Cleveland's banking reputation—strong, well-managed banks, with a record that is the envy of the industry. Recently, Keefe, Bruyette & Woods, Inc., a leading investment firm specializing in bank stock analysis, ranked 100 banks and bank holding companies in 25 geographic groupings. Ratios based on asset quality and profitability were used. The Cleveland group, including Centran Corporation, ranked number one. I enjoy competing in such company.

Studying Centran's financial record indicated to me a quality organization, conservative in the best sense of the word; that is, sound, but progressive, with a good earnings record and a balance sheet of exceptional quality.

The financial data in this annual report bear out these perceptions, with 1978 earnings at an all-time high.

I wish I could take some credit for the excellent performance of 1978. My associates certainly can. I had been told that Jack Gelbach had gathered together a group of top-flight, highly motivated executives, and they are. They set challenging objectives for 1978 and surpassed them. This annual report documents their success. I am delighted to be joining such a group.

I view a chief executive's role as two-fold. First, it is to set directional goals and develop long-term strategies. I look forward to working closely with Jack Gelbach in these efforts. This is particularly exciting in today's environment with the recent changes in Ohio banking laws.

A chief executive's other major function is to be sure that good professional managers and executives are developed and are in the right spots to make the organization work most effectively. The banking business is people intensive. Those banks with the best people and the best managers of people are the ones that are going to grow and prosper.

This is what Centran will do and is our commitment to you, our shareholders.

Sincerely,

Wilson Brown

Wilson M. Brown, Jr.
President

March 9, 1979

Cleveland enterprise continues to thrive

Long recognized for its industrial might, Greater Cleveland is today a center of new economic growth and rejuvenation. The area is moving into the forefront of advanced services, high technology and professional development.

The seven-county Greater Cleveland area is the sixth ranking "billion-dollar" industrial market in the U.S., standing ahead of 70% of the *nations* of the world. And, it is adding a growing service-oriented business segment to this economic base.

Greater Cleveland is located at the center of America's industrial heartland. It ranks third as a headquarters location for the country's leading corporations. There also are more than 15,000 privately owned companies with annual sales from $500,000 to $50 million based here, and there are thousands of smaller businesses growing into their ranks.

Cleveland-based companies are thriving. In the past 10 years, the combined worldwide sales of Cleveland's 40 largest corporations showed a *growth* of over $22 billion. And many smaller companies reported earnings growth which exceeded the national average.

In the four-county Metropolitan Cleveland area, employment is at an all-time high, with nearly 900,000 jobs in 1978, or 20,000 more jobs than in 1977, despite the loss of production jobs to other areas of the country. The area's average annual unemployment rate was 4.8%, compared with the national rate of 6%.

The population of 2 million enjoyed a disposable personal income of over $12 billion in 1977, with a per-household income of $18,533. Total retail sales were nearly $7 billion.

Perhaps the best single measure for future economic prospects is the level of new construction in the area. Between 1972 and 1977, total private non-residential construction in Metropolitan Cleveland was nearly $1.3 billion—with 60% of that amount coming since 1975. During the 1975-1977 period, the area had an investment rate of $394 per person versus a U.S. rate of $256 per person.

Much of the investment took place in the downtown business and retail center. Office building construction saw 4 million square feet of space added, reaching a total of 15 million, a record of growth superior to most major U.S. cities.

The downtown center employs approximately 150,000 persons, nearly 17% of total employment in the area.

And, since 1975, there has been an increase of nearly 30,000 non-manufacturing jobs—reflecting the transition in the economy of the area to the advanced services which are flourishing here.

Centran's record growth reflects long-term strategies

Recognizing the basic strength and changing character of its market, Centran Corporation "realigned its management structure in the latter half of 1976 to broaden the top management group and decentralize the responsibility for Centran's profitable growth," as stated in the annual report for that year.

A new policy committee was established to undertake the planning necessary to develop near- and long-term strategies for continuing growth while focusing on specific business segments.

The reporting channels of affiliates have been consolidated under administrative heads for bank and non-bank groups, while Central National Bank has elected a new chief executive.

Staffing and functional restructuring have been completed to align resources more closely to the tasks and opportunities ahead.

With programs in place, and all affiliates driving toward a common corporate goal of profitable growth, Centran exceeded every major objective for the year 1978.

Business loan volume up 12.5%

Centran's average commercial loans rose to $623 million, a 12.5% increase over the prior year, as a robust economy provided opportunities for aggressive sales efforts and innovative approaches to the "middle market" and smaller privately owned companies.

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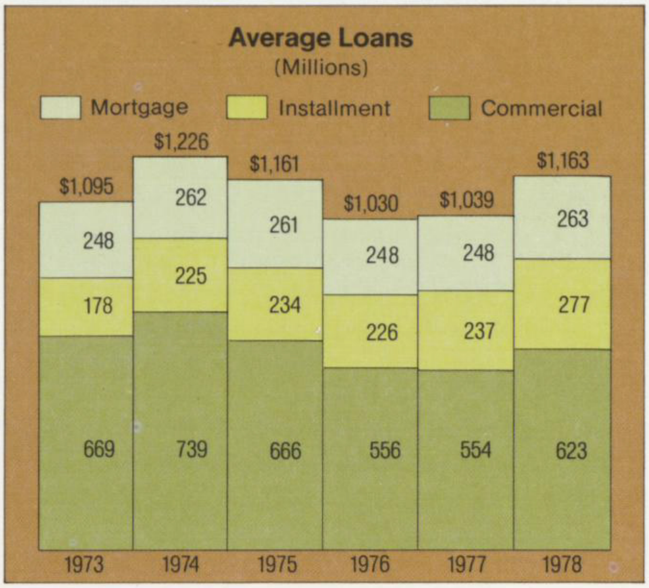


Average commercial and industrial loans of Central National Bank were up 25.4% from the previous year—the largest percent increase among Cleveland's major banks.

While continuing to serve the many national and multinational corporations which are so important to the economic strength of this region, Centran is gaining increased recognition throughout Ohio for specialized lending techniques and financial services tailored to the specific requirements of middle market and privately owned companies. These include project loans, leasing, merger or acquisition financing, and cash management and international banking services.

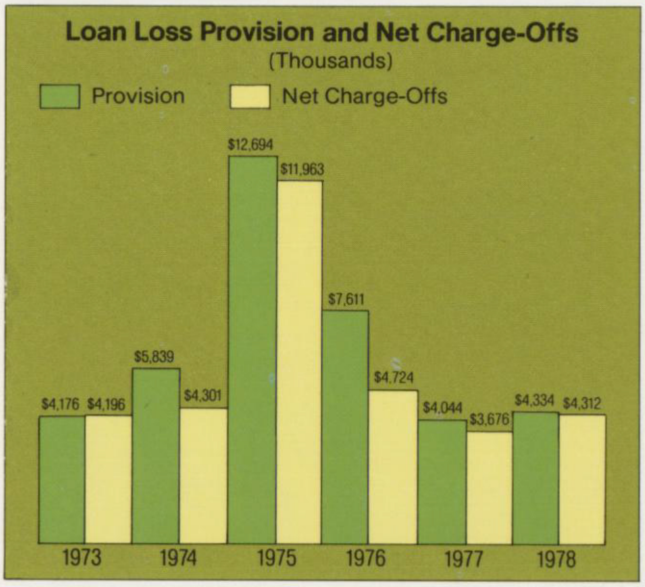
Centran also has established a reputation as Ohio's leader in international banking capabilities. The close working relationship between domestic and international officers enables Centran to coordinate customers' banking requirements with international services, such as export and import financing, foreign exchange, collections and remittances, and offshore lending. Centran's recent affiliation with the Society for Worldwide Interbank Financial Telecommunications (SWIFT) will improve the transfer of customers' funds between countries in North America and Europe.

While international loans involve political and economic risks not present in domestic lending, Centran endeavors to reduce these risks through an advanced system for evaluating and establishing country limits. Political and economic analyses are augmented by evaluations prepared by Centran's international officers based in Cleveland, New York City, Paris, and Mexico City. Through extensive travel and personal contact with bankers, businessmen, and government officials in many countries, these officers gain an insight into potential foreign problems. Country limits are reviewed and adjusted semi-annually, or more frequently if necessary.

Centran observes an extremely conservative policy of placing commercial loans in non-accrual status whenever interest or principal payments are 30 days past due instead of the 60 or more days used by many other banks. Careful attention by all lending officers further improved the quality of Centran's loan portfolio in 1978. Although average total loans outstanding increased significantly, the year-end total of non-accrual and restructured loans decreased by $5.4 million from 1977 to $16.2 million.

Net loans charged off in 1978 amounted to $4.31 million, or 0.37% of the average total loans outstanding during the year—a favorable percentage by industry standards.

The provision for loan losses is determined quarterly by a loan policy committee's interpretation of local, national and international economic conditions in relation to the current strength of Centran's borrowers. In addition, a loan review group regularly monitors the financial condition of each borrower, and a careful evaluation is made of every loan in which ability to meet original terms is questionable.

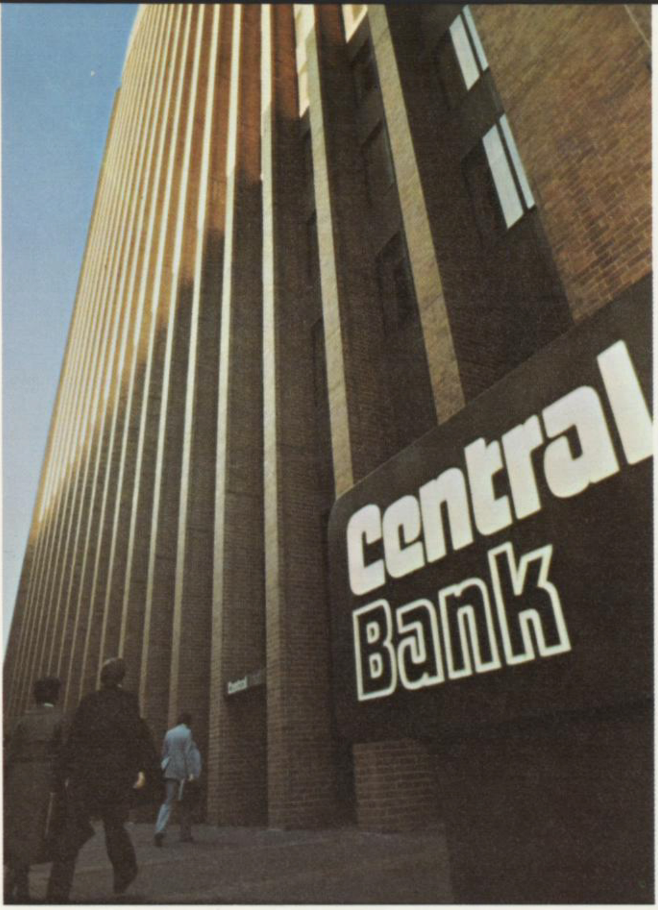


Fee income from the sale of corporate trust services, particularly the management of pension and profit-sharing plans, made a significant contribution to the growing profitability of Centran's overall trust activities.

Complex government regulations, changing tax laws, and volatile securities markets have increased the need for professional trustees and investment managers. Centran has achieved recognition in this highly competitive field for its superior investment performance. Over the past five years, for example, a collective equity fund managed by Central National Bank for employee benefit trusts had a 33.7% gain, compared with a 23.7% gain in the Standard & Poor's 500 Stock Index during the same period. Central National's fund also outperformed similar funds managed by 15 leading money-center banks.

Centran's long-range plan for earnings growth from the commercial business sector is based upon a precise identification of present and prospective customers by geographic location, type of businesses, and financial services required.

In implementing this plan, Centran calling officers and supporting personnel have achieved excellent performance in 1978, which they expect to repeat in 1979.



Investments geared to liquidity, yield, and quality

Centran's investments in securities and money-market instruments are given continuous and careful attention to ensure the availability of funds when needed for customers' credit requirements (liquidity) and to obtain the highest possible yield from quality securities.

Anticipating the burgeoning credit demand that materialized during the latter half of 1978, Centran liquidated longer-term securities to increase its investment in instruments with very short-term maturities. These were primarily overnight Eurodollar certificates of deposit issued by overseas branches of the strongest domestic banks. Total investment in short-term instruments was increased by 58% to $462 million at year-end 1978 from $292 million a year earlier.

As yields rose during the second half of 1978, Centran also increased its investments in U.S. Treasury, Federal Agency, and state and municipal securities.

The composite yield on the total investment portfolio increased to 8.3% (fully taxable equivalent basis) in 1978 from 7.2% in 1977.

Most of the improvement occurred during the second half of 1978. The composite yield was 7.8% during the first half. It rose to 8.4% in the third quarter and to 9.1% in the fourth quarter.

At December 31, 1978, $629 million, or 56% of the total portfolio, was invested in quality securities maturing in one year or less. Thus, Centran is well positioned to meet the increasing credit demands anticipated in 1979.

Challenge and opportunity characterize consumer market

Aggressive Centran sales programs, capitalizing on stepped-up consumer spending and borrowing during the year, achieved an average $277 million in consumer loans, up 16.7% from 1977.

Central Bank, which pioneered bank credit cards in the Greater Cleveland area a decade ago, introduced VISA card service in 1978 to augment its Master Charge program and to broaden its participation in the growing market for personal credit. Early in 1979, Central became the first Cleveland bank to introduce a "private label" VISA card. This program, on behalf of a national clothing manufacturer and retailer, should provide significant growth in outstandings and interest income.

Portfolio mortgage loans at year-end 1978 were $281 million, a 10% increase from the previous year.

To meet more effectively the housing demands of communities served by Centran, programs reactivated in 1977 were continued to fund a higher level of mortgage originations through the sale of qualifying mortgages to secondary market investors. The mortgage servicing function is retained for fee income.

Centran's average total deposits increased to $1.97 billion in 1978 despite savings disintermediation during the second half of the year.

Average total demand deposits rose to $795 million from $585 million the previous year, with $35 million, or 6%, in basic deposit growth. The remainder reflects an accounting requirement for overnight investments in Eurodollar certificates of deposit.

Total savings deposits, including certificates of individuals, were up 2.5%, to an average of $835 million.

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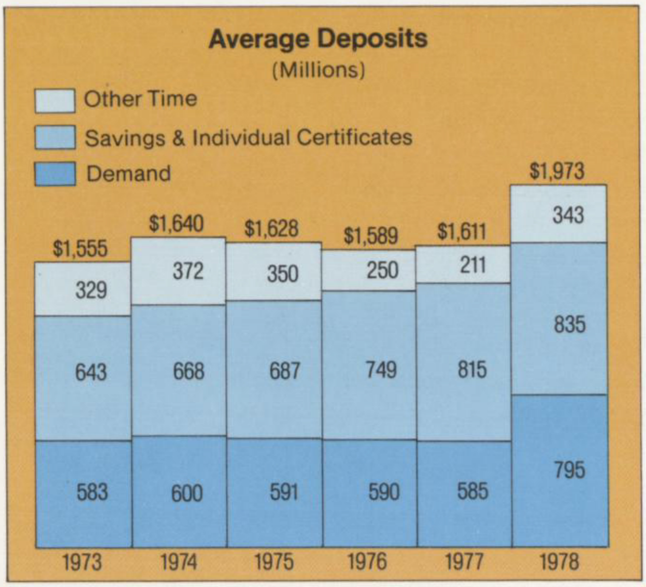


Rising yields on money market instruments and certificates of deposit in 1978 caused a movement of funds out of traditional savings accounts. This resulted in a decline of 1.5% in average savings deposits for the year. New savings gained through the introduction of automatic transfer service afforded some relief.

The decline was further offset by aggressive marketing of the new six-month and eight-year certificates introduced in May. At year end, "Certificates—Individuals" had increased 11.3% from a year ago.

Continued growth in core deposits, including demand deposits, is vital. Thus it is a key objective of the strategic five-year plan started in October 1976.

Since that time, Centran has expanded its branch banking capability with the opening of three new branch offices and restructured service at six locations. Plans for 12 additional branches and facilities in 1979 include four contiguous-county locations.

Additionally, 1977's successful introduction of 24-hour Ready Bank® automated banking machines in the Greater Cleveland area has led to the establishment of an electronic delivery system which numbered 25 units in 1978, with further expansion planned this year. Three of these were the first free-standing units, in non-branch locations, in the area. Customer usage of Ready Bank was almost double the rate of the national average for such machines and surpassed one million transactions during 1978.

The consumer banking groups of Centran continue to work in tandem with the business banking groups for the *balanced* growth of the corporation.

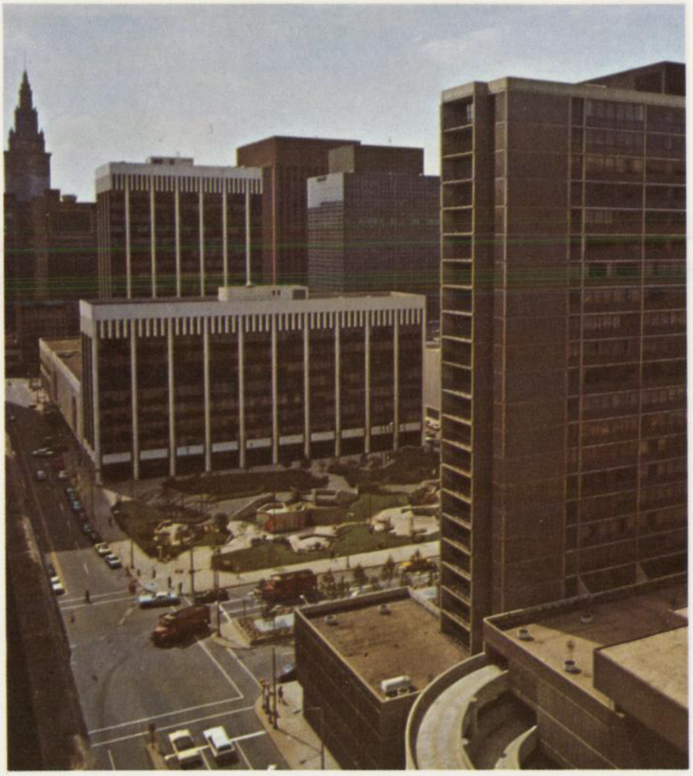
Non-bank affiliates reorganized for greater profitability

The operations of three of Centran's consumer finance company affiliates—Major Finance, Peoples Investment, and Protective Loan—were consolidated late in 1978 into a Centran Finance Group. Their activities in Kentucky, New York, Ohio, Tennessee, and Virginia are under the supervision of regional officers reporting to a director of operations at administrative headquarters in Cleveland.

Efficiencies are being attained through the application of uniform operating, marketing, and accounting procedures to these affiliates, which specialize in short-term loans to individuals.

Centran's fourth finance company affiliate, Colonial Financial Service of Birmingham, Alabama, makes second-mortgage equity loans and was not included in the consolidation.

In mid-1978, Centran activated Investors Income Insurance Company in Dallas, Texas. This affiliate reinsures credit life insurance issued in connection with installment loans of bank affiliates.



Although Centran's non-bank affiliates accounted for only 3% of its total assets at year-end 1978, they contributed more than 6% of its net income for the year.

A salute to the people of Centran

Although reported in dollars and percentages, the performance of Centran Corporation is, in addition, a record of the many valuable contributions of the 2,500 men and women employed by its affiliates.

These industrious and innovative people are committed to improving the quality and profitability of Centran's financial services.

Their performance is greatly appreciated and recognized as a major asset in the achievement of corporate growth objectives.

Similarly, the economic growth of the Greater Cleveland area, in which Centran is based, is being increasingly influenced by managers, professionals, and skilled technicians working in a variety of advanced services.

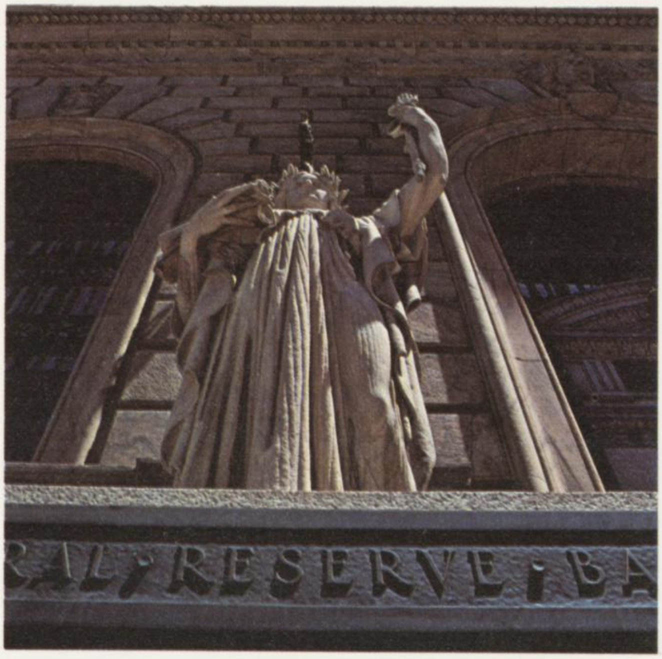
They constitute a new generation of people who are helping to establish the area as a national center of such services as banking and finance, law, accounting, graphic arts and advertising, data processing, research, and medical care.

"Advanced services" spur area's growth

Cleveland's economic strength has grown with the city's importance as a Great Lakes port and transportation center serving basic manufacturing industries.

Today, however, Clevelanders are developing new strengths and skills to maintain the area's competitive advantage and to meet the complex needs of a more advanced society.

Four of the nation's 100 largest commercial banks are based in Cleveland, which is also the home of the Fourth District Federal Reserve Bank. Commercial banks in Greater Cleveland have doubled their total assets from $6 billion to almost $12 billion in the last decade.



Recently, three member firms of the New York Stock Exchange headquartered in Cleveland, who are also underwriters, managed or participated in securities offerings totaling more than $1.6 billion.

The city has four law firms with more than 100 lawyers each, and the Cleveland telephone directory lists nearly 5,000 attorneys. All of the "Big Eight" accounting firms have major offices here, and Cleveland is world headquarters for one of them.

Cleveland is also becoming more involved in the growing biomedical instrumentation industry, which is expected to reach $3 billion in volume by 1985. The field of medicine is one of the most dynamic segments of the Cleveland area economy, with approximately 45,000 medical professionals and associated personnel working at some 50 hospitals and renowned medical centers to which patients are referred from throughout the world.

Research and development is flourishing, with some 150 corporate research laboratories helping to shape the future of a wide range of industries. In addition, local institutional and government research programs are exploring an ever-growing need for solutions to problems, including the search for alternative energy sources.

What is happening is that a new kind of enterprise is beginning to characterize Cleveland. Like many Northern and Midwestern cities, Cleveland has been losing production jobs and population in recent years to lesser-developed areas of the country; but, unlike some other cities, opportunities here for professional and managerial talents have risen steadily, and jobs in the service sector have grown dramatically.

(Continued)

Building on a rich heritage

Out of its industrial past, a human heritage of diversified people and many different cultures has contributed to Cleveland's unique character as a cosmopolitan city with the warmth of a smaller community.

Cleveland is proud of its ethnic traditions and old-world neighborhoods; its strong religious force and the many denominations that reflect the origins of its people.

Cleveland and its handsome suburbs offer all the advantages of a major metropolitan area and a lively, yet relaxed, ambiance in tune with any lifestyle.

Cultural opportunities abound. To name a few . . . the world-famous Cleveland Orchestra can be heard at Severance Hall or its nearby summer home, Blossom Music Center. The Cleveland Museum of Art is outstanding. The Cleveland Playhouse, oldest repertory theater in the nation, and the summer Great Lakes Shakespeare Festival provide a year-around season of excellent theater.

Many parks of the area offer recreational opportunities close to home, and modern freeways and other transportation facilities give easy access to every type of recreation in adjoining areas. For boaters, Lake Erie extends beyond the width of Ohio, with plenty of room for sailing and power-boating.

Cleveland is a good place to live and a good place to work. The richness of its resources and the strength of its economic base fuel the progress and prosperity of its people and its businesses.

Cleveland is headquarters for Centran Corporation.

The seven-county area surrounding the city is the primary market of Central National Bank, which is in its 89th year of service.

We are proud to have participated in Greater Cleveland's past achievements, and we are dedicated to maintaining a vital role in its continuing progress.

Financial Section

Contents

Report of Independent Auditors 13
  Consolidated Statement of Income 14
  Consolidated Balance Sheet 15
  Consolidated Statement of Changes in Financial Position . 16
  Consolidated Statement of Capital 17
  Notes to Financial Statements 18
Management's Discussion and Analysis of Operations 22
Supplementary Financial Data 29
Affiliates' Statements 40

Report of Ernst & Ernst, Independent Auditors

Board of Directors
Centran Corporation

We have examined the consolidated balance sheets of Centran Corporation and affiliates as of December 31, 1978 and 1977, and the related consolidated statements of income, capital and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the consolidated financial position of Centran Corporation and affiliates at December 31, 1978 and 1977, and the consolidated results of their operations and changes in their financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Cleveland, Ohio
January 22, 1979

Ernst & Ernst
E&E

Consolidated Statement of Income

(in thousands of dollars)	1978	1977
Interest Income:		
Commercial Loans	$ 58,119	$ 42,613
Installment Loans	40,459	34,190
Portfolio Mortgage Loans	20,428	18,598
Federal Funds Sold and Securities Purchased Under Agreements to Resell	8,292	4,031
Due From Banks—Time	20,436	11,841
U.S. Treasury Securities	8,039	10,827
Federal Agency Securities	11,810	5,616
State and Municipal Securities	13,831	13,098
Other Securities	287	325
Trading Account Assets	1,197	451
Total Interest Income	182,898	141,590
Interest Expense:		
Savings Deposits	23,231	23,499
Certificates—Individuals	21,692	18,865
Certificates—Others	25,370	10,579
Federal Funds Purchased and Securities Sold Under Agreements to Repurchase	23,568	15,109
Other Borrowed Funds	3,722	2,627
Mortgages Payable	1,336	164
Promissory Notes	1,658	1,225
Capital Notes	950	950
Debentures	1,963	1,963
Total Interest Expense	103,490	74,981
Interest Differential	79,408	66,609
Provision for Loan Losses	4,334	4,044
Net Interest Income After Provision	75,074	62,565
Other Income:		
Trust Fees	5,641	5,142
Trading Account Income	522	1,333
Service Charges on Deposit Accounts	3,214	3,036
Other Income	9,238	7,352
Total Other Income	18,615	16,863
Net Operating Revenue	93,689	79,428
Operating Expense:		
Salaries	29,278	27,272
Employee Benefits	5,871	4,911
Net Occupancy	5,599	6,585
Furniture and Equipment	4,385	3,945
Other	21,880	18,227
Total Operating Expense	67,013	60,940
Income Before Income Taxes and Security Transactions	26,676	18,488
Income Taxes Thereon	5,925	1,990
Income Before Security Transactions	20,751	16,498
Security Losses Less Tax Reduction of $1,804 in 1978 and $777 in 1977	(1,954)	(842)
Net Income	$ 18,797	$ 15,656
Per Common Share:		
Income Before Security Transactions	$ 5.18	$ 4.20
Net Income	4.67	3.98

See notes to financial statements.

Centran
Corporation

Consolidated Balance Sheet

Assets (in thousands of dollars)	December 31, 1978	December 31, 1977
Earning Assets:		
Commercial Loans	$ 702,242	$ 574,767
Installment Loans	309,004	255,314
Portfolio Mortgage Loans	280,647	254,899
	1,291,893	1,084,980
Less Allowance for Loan Losses	18,306	18,109
Net Loans	1,273,587	1,066,871
Federal Funds Sold and Securities Purchased Under Agreements to Resell	99,900	264,650
Due from Banks—Time	362,434	27,085
U.S. Treasury Securities	176,846	204,122
Federal Agency Securities	142,845	144,332
State and Municipal Securities	342,166	250,487
Other Securities	5,143	5,582
Trading Account Assets	311	199
Total Earning Assets	2,403,232	1,963,328
Cash and Due from Banks	581,819	257,487
Premises and Equipment	53,347	52,240
Customers' Liability on Acceptances	63,570	26,295
Real Estate Acquired in Loan Settlements	3,377	490
Other Assets	48,114	34,061
Total Assets	$3,153,459	$2,333,901
Liabilities		
Deposits and Borrowed Funds:		
Demand Deposits	$ 987,938	$ 701,260
Savings Deposits	477,735	506,451
Certificates—Individuals	355,514	319,315
Certificates—Others	395,431	199,129
Other Time Deposits	17,360	16,603
Total Deposits	2,233,978	1,742,758
Federal Funds Purchased and Securities Sold Under Agreements to Repurchase	479,365	275,719
Other Borrowed Funds	92,097	30,745
Mortgages Payable	20,519	18,801
Promissory Notes	21,000	21,000
Capital Notes—4.75% due December 1, 1989	20,000	20,000
Debentures—7.85% due May 15, 1997	25,000	25,000
Total Deposits and Borrowed Funds	2,891,959	2,134,023
Liability on Acceptances	63,570	26,322
Other Liabilities	34,483	21,006
Total Liabilities	2,990,012	2,181,351
Capital:		
Preferred Stock	2,936	2,349
Common Stock	32,293	32,293
Surplus	67,556	66,533
Retained Earnings	65,431	56,315
Less—Common Stock in Treasury, at Cost	4,769	4,940
Total Capital	163,447	152,550
Total Liabilities and Capital	$3,153,459	$2,333,901

See notes to financial statements.

Consolidated Statement of Changes in Financial Position

(in thousands of dollars)

Source of Funds	1978	1977
From Operations:		
Net Income	$ 18,797	$ 15,656
Items Not Requiring Funds:		
Provision for Depreciation and Amortization	3,422	2,153
Provision for Loan Losses	4,334	4,044
Deferred Taxes	739	(563)
Other	1,502	1,828
Total from Operations	28,794	23,118
Increases in Liabilities:		
Deposits	491,220	2,111
Federal Funds Purchased and Securities Sold Under Agreements to Repurchase	203,646	—0—
Other Borrowed Funds	61,352	—0—
Mortgages Payable	1,718	18,801
Promissory Notes	—0—	21,000
Liability on Acceptances	37,248	—0—
Other Liabilities	12,699	—0—
Decreases in Assets:		
Net Loans	—0—	35,734
Federal Funds Sold and Securities Purchased Under Agreements to Resell	164,750	—0—
Due from Banks—Time	—0—	279,751
Customers' Liability on Acceptances	—0—	731
Treasury Shares Issued Upon Exercise of Stock Options	129	286
Total	$1,001,556	$381,532

Application of Funds	1978	1977
Increases in Assets:		
Net Loans	$ 211,050	$ —0—
Federal Funds Sold and Securities Purchased Under Agreements to Resell	—0—	128,010
Due from Banks—Time	335,326	—0—
Securities	63,875	106,365
Cash and Due from Banks	324,332	13,808
Additions to Premises and Equipment—Net	4,529	34,553
Customers' Liability on Acceptances	37,275	—0—
Other Assets	17,140	2,592
Decreases in Liabilities:		
Federal Funds Purchased and Securities Sold Under Agreements to Repurchase	—0—	25,925
Other Borrowed Funds	—0—	61,534
Liability on Acceptances	—0—	813
Other Liabilities	—0—	453
Cash Dividends Declared	8,029	7,479
Total	$1,001,556	$381,532

See notes to financial statements.

CLEVELAND PUBLIC LIBRARY
BUSINESS INF. BUR.
CORPORATION FILE

Centran
Corporation
800 Superior Avenue
Cleveland, Ohio 44114

To the Shareholders:

We are pleased to announce that the Annual Meeting of Shareholders will be held on Tuesday, April 18, 1978, beginning at 9:30 A.M. Eastern Standard Time at the Corporation's headquarters, Central National Bank Building, 800 Superior Avenue, N.E., Cleveland, Ohio. You are cordially invited to have coffee with the Directors and Officers, beginning at 9 A.M.

As described in the accompanying Notice and Proxy Statement, Directors will be elected at the meeting. Whether or not you presently plan to attend this meeting, it is important that you exercise your right to vote. We urge you to promptly sign, date, and mail the accompanying Proxy in the enclosed return envelope. If you later decide to attend the meeting or to revoke the proxy for any other reason, you may do so at any time prior to the voting.

Sincerely,

JOHN A. GELBACH
Chairman and President

March 15, 1978

Centran
Corporation
800 Superior Avenue
Cleveland, Ohio 44114

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

April 18, 1978

The Annual Meeting of Shareholders of Centran Corporation will be held at the Corporation's headquarters, Central National Bank Building, 800 Superior Avenue, N.E., Cleveland, Ohio, on Tuesday, April 18, 1978, beginning at 9:30 A.M., Eastern Standard Time, for the following purposes:

(1) To fix the number of Directors at 20 and to elect the nominees listed in the accompanying Proxy Statement,

(2) To ratify the appointment of independent auditors, and

(3) To transact such other business as may properly come before the meeting and any adjournment or adjournments thereof.

Only holders of record of common and preferred stock of Centran Corporation at the close of business on February 28, 1978, are entitled to vote at the meeting. A complete list of such holders is on file at the office of the Secretary of the Corporation, 800 Superior Avenue, Cleveland, Ohio.

By Order of the Board of Directors

Hubert P. Martin,
Secretary

March 15, 1978

SHAREHOLDERS ARE URGED TO DATE AND SIGN THE ENCLOSED PROXY AND RETURN IT IN THE ENCLOSED ENVELOPE TO WHICH NO POSTAGE NEED BE AFFIXED. IF YOU ATTEND THE MEETING, YOU MAY WITHDRAW YOUR PROXY AND VOTE IN PERSON.

Centran
Corporation
800 Superior Avenue
Cleveland, Ohio 44114

PROXY STATEMENT

ANNUAL MEETING OF SHAREHOLDERS, APRIL 18, 1978

This Proxy Statement is furnished in connection with the solicitation by the management of Centran Corporation ("Centran") of proxies for the Annual Meeting of Shareholders of Centran on April 18, 1978, and at all adjournments thereof. This Proxy Statement, the form of Proxy, and Centran's Annual Report were first mailed to shareholders on or about March 15, 1978. The close of business on February 28, 1978 has been fixed as the record date for the determination of shareholders entitled to vote. Each share of common stock entitles its owner to one vote. The number of shares of common stock outstanding on February 28, 1978, was 3,862,749 (excluding 173,890 Treasury shares). Each share of Series B Preferred Stock entitles its owner to one vote. The number of outstanding shares of Series B Preferred Stock outstanding on February 28, 1978, was 9,700. Each share of Series C Preferred Stock entitles its owner to three votes. The number of outstanding shares of Series C Preferred Stock on February 28, 1978, was 17,778. There is no Series A Preferred Stock. All outstanding common and preferred shares will be voted as a single class.

ELECTION OF DIRECTORS

At the meeting, the shares represented by the proxies will, unless authority is withheld, be voted to fix the number of Directors at 20, each to hold office until the next annual meeting or until his successor is duly elected and qualified and for the election of the 20 nominees named below. Your proxy cannot be voted for a greater number of persons than the nominees named below. The nominees, with the exception of Messrs. Thomas C. Mungenast, Sr., Arne Obel, and Ward Smith are all members of the present Board of Directors. If, by reason of any unexpected occurrence, any one or more of the nominees named below should not be available for election, the proxies will be voted for the election of such substitute nominees as the management may propose. (1)

Name	Principal Occupation	Director Since(2)	Number of Centran Common Shares Beneficially Owned on January 13, 1978
Otes Bennett, Jr.	President and Chief Executive, The North American Coal Corporation (Mining and marketing of coal)	1977	200
Joseph A. Boyd	President, Harris Corporation (Manufacturer of communications and information handling equipment)	1973	100
John A. Gelbach	Chairman, President, and Chief Executive, Centran Corporation; Chairman and Chief Executive, Central National Bank of Cleveland	1969	10,150
William F. Hauserman	President, Hauserman, Inc. (Manufacturer of movable walls, cabinetry, and accessories for commercial, industrial, and school buildings)	1972	100
Albert M. Higley, Jr.	Chairman and Treasurer, The Albert M. Higley Company (General Contractor)	1977	400
J. Robert Killpack	Executive Vice President - Finance, Eaton Corporation (Manufacturer of automotive, materials handling, and industrial and consumer products)	1971	1,000
Charles S. Lawrence III	Vice President, Centran Corporation; President, Central National Bank of Cleveland; President, Central Cleveland International Bank	1972	2,520
George S. Lockwood, Jr.	Managing Partner, Ohio Gas and Oil Development Co. (Developer of natural gas and petroleum reserves)	1965	2,008(3)
John J. Loftus	Executive Vice President, Republic Steel Corporation (Manufacturer of steel)	1975	200
Morton L. Mandel	Chairman of the Board and Chief Executive Officer, Premier Industrial Corporation (Manufacturer and supplier of industrial maintenance products, firefighting accessories, and electronic components)	1968	780(4)

Name	Principal Occupation	Director Since(2)	Number of Centran Common Shares Beneficially Owned on January 13, 1978
Robert D. McCreery	President, H. L. McCreery and Son, Inc. (Industrial Distributor)	1960	19,870(5)
Thomas C. Mungenast, Sr.	General Manager, Greater Cleveland Group, Sears, Roebuck and Co. (Retailing)	(new nominee)(6)	100(7)
Arne Obel	Executive Vice President, Diamond Shamrock Corporation (Producer of chemical products and developer of petroleum and natural gas)	(new nominee)(6)	100(7)
Thomas J. Quigley	Partner, Squire, Sanders & Dempsey (Attorneys-at-Law)	1975	300
Thomas A. Quintrell	Partner, Arter & Hadden (Attorneys-at-Law)	1970	2,620(8)
Karl H. Rudolph	Chairman of the Board and Chief Executive, The Cleveland Electric Illuminating Co. (Electric utility)	1967	365
Ward Smith	President and Chief Administrative Officer, White Consolidated Industries, Inc. (Diversified manufacturer of products for the home and machinery and equipment for industry)	(new nominee)(6)	100(7)
Donald G. Stevens	Former Senior Vice President, The Standard Oil Company (Ohio) (Integrated oil company)	1971	125
Renold D. Thompson	Executive Vice President - Operations, Oglebay Norton Company (Mining of iron ore, coal, and silica sand, transportation and cargo dock service on the Great Lakes, and specialized services and products to the steel industry)	1976	100
Ernest M. Wuliger	President, Ohio-Sealy Mattress Manufacturing Co. (Bedding Manufacturer)	1976	500

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(1) Messrs. Frederick R. Eckley, Robert L. Fairbank, and Harry T. Marks will not stand for re-election in conformance with the Board's policy on the retirement of Directors.

(2) All nominees showing dates of 1971 or prior thereto were elected Directors of Centran in 1971 and were elected Directors of Central National Bank of Cleveland ("CNB"), Centran's principal subsidiary, in the year shown.

(3) This does not include 862 shares owned by Mr. Lockwood's wife; Mr. Lockwood disclaims beneficial interest in such shares.

(4) This does not include 720 shares owned by Mr. Mandel's wife as trustee of an irrevocable, nonreversionary trust for his children; Mr. Mandel disclaims beneficial interest in such shares.

(5) This does not include 174 shares owned by Mr. McCreery's wife and 690 shares owned by his minor child; Mr. McCreery disclaims beneficial interest in such shares.

(6) Since February 1976, Mr. Mungenast has been General Manager, Greater Cleveland Group, of Sears, Roebuck and Co. ("Sears"); from February 1975 to February 1976 he was Administrative Assistant to Sears Midwest Territory Executive Vice President; from August 1973 to February 1975 he was General Manager for Sears in Evansville, Indiana; from February 1973 to August 1973 he was General Merchandise Manager for Sears in Cleveland. Since 1976, Mr. Obel has been an Executive Vice President of Diamond Shamrock Corporation; from August 1975 to 1976 he was Group Vice President of Diamond Shamrock Corporation; for more than three years prior to August 1975 he was a Division General Manager with the Monsanto Company (Producer of diversified chemical products, synthetic fibers, and plastics). Since June 1976, Mr. Smith has been President and Chief Administrative Officer of White Consolidated Industries, Inc.; from July 1972 to June 1976 he was Executive Vice President of White Consolidated Industries, Inc.; for more than one year prior to July 1972, he was Senior Vice President of White Consolidated Industries, Inc.

(7) Mr. Mungenast purchased his shares February 15, 1978; Mr. Obel purchased his shares February 1, 1978; Mr. Smith purchased his shares February 23, 1978.

(8) This does not include 1,623 shares held in a trust for which Mr. Quintrell is trustee; Mr. Quintrell disclaims beneficial ownership of such shares.

REMUNERATION OF AND TRANSACTIONS WITH OFFICERS AND DIRECTORS

The following table shows the aggregate direct remuneration for services in all capacities paid by Centran and its affiliates during 1977 to (i) each person who was one of the three highest paid officers and who received aggregate direct remuneration in excess of $40,000, (ii) each director of Centran whose aggregate direct remuneration from Centran and its affiliates exceeded $40,000, and (iii) all officers and directors of Centran as a group. The table also sets forth the estimated annual retirement benefits of such individuals.

Name of Individual or Number of Persons in Group	Capacities in Which Remuneration Was Received	Aggregate Direct Remuneration(1)	Estimated Annual Retirement Benefits Upon Normal Retirement(2)
John A. Gelbach	Chairman of the Board, President, and Chief Executive Officer, Centran Corporation, and Chairman of the Board and Chief Executive Officer, Central National Bank of Cleveland	$195,087	$ 90,810(3)
Charles S. Lawrence III	Vice President, Centran Corporation, and President, Central National Bank of Cleveland	$135,944	$ 79,339
Thomas W. Harris(4)	Treasurer, Centran Corporation, and Senior Vice President and Controller, Central National Bank of Cleveland	$ 62,644	$ 27,039(4)
All Directors and Officers of Centran, as a group (numbering 27)		$611,593	$262,476

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(1) Aggregate direct remuneration includes amounts paid pursuant to the executive incentive compensation plan. Under the plan, certain officers selected by the Compensation and Organization Committee of the Board of Directors are eligible to participate in distributions from the operating earnings based upon each participant's contribution to growth and earnings.

(2) Estimated under provisions of the retirement plans of certain affiliates of Centran as in effect on December 31, 1977 and on the assumption that each individual will continue in the employment of such affiliate until normal retirement at age 65 at his current salary and that the retirement plans will continue in their present form.

(3) In July 1975, the CNB Board of Directors authorized, effective January 1, 1976, the payment from operating funds of retirement benefits due an employee under the CNB retirement plan in excess of those permitted under the Employee Retirement Income Security Act of 1974 (ERISA). If Mr. Gelbach were to retire at the figure set forth above, such retirement benefits would exceed the current permitted ERISA maximum by $6,285 and CNB would pay such amount out of operating funds.

(4) Mr. Harris retired on November 1, 1977.

In December 1975, the CNB Board approved the amendment and restatement of the Combined Profit-Sharing Plan (Prior Plan) to be effective January 1, 1976, and thereafter to be known as the Employees' Savings and Investment Plan (Plan). Upon the effective date of the Plan all interests under the Prior Plan became fully vested and are payable upon the employee's termination. The vested interests under the Plan attributable to CNB contributions under the Plan and Prior Plan at December 31, 1977, for the three highest paid officers of Centran and for all Officers and Directors of Centran as a group were:

Name	Amount
John A. Gelbach	$ 82,696
Charles S. Lawrence III	$ 40,704
Thomas W. Harris	$106,337
All Officers and Directors as a group	$287,790

Some of Centran's Directors and Officers were customers of one or more of its subsidiary banks during 1977 and had transactions with such banks in the ordinary course of business. In addition, some of such Directors are officers of or have a relationship with corporations, or are members of partnerships, which were customers of such subsidiary banks during 1977 and had transactions with such banks in the ordinary course of business. All loans included in such transactions were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable loans to other borrowers, and did not involve more than normal risks of collectibility or present other unfavorable features. It is likely that similar transactions will be effected during 1978.

STOCK OPTION PLAN

(Centran's 1973 Stock Option Plan)

The following table shows as to certain officers and directors and as to all officers and directors as a group (i) the amount of options exercised since December 31, 1976, and (ii) the amount of shares subject to all unexercised options as of February 28, 1978.

Centran Corporation Common Shares $8 Par Value	John A. Gelbach	Charles S. Lawrence, III	Thomas W. Harris	All Officers And Directors of Centran as a Group
Options exercised 12-31-76 to 2-28-78:				
Shares Purchased	0	0	2,500	3,000
Aggregate Purchase Price	$ 0	$ 0	$44,375.00	$53,250.00
Aggregate Market Value on Date of Purchase	$ 0	$ 0	$61,625.00	$75,037.50
Unexercised Options at 2-28-78:				
Qualified options granted 7-25-73:				
Shares	4,000	2,400	0	6,400
Option Price	$25.25	$25.25		$25.25
Non-Qualified Options granted 12-11-75:				
Shares	4,615	2,000	0	9,115
Option Price	$17.75	$17.75		$17.75
Total Unexercised	8,615	4,400	0	15,515
Average Option Price	$21.23	$21.84		$20.84

No options were granted during the one year period ended December 31, 1977.

In addition to the above, on February 28, 1978 an aggregate of 43,850 shares were subject to unexercised options held by Directors and Officers of Centran's affiliates. The average option price per share of such unexercised options is $20.32.

APPOINTMENT OF AUDITORS

The Board of Directors recommends approval of the appointment of Ernst & Ernst as independent auditors for Centran for the year ending December 31, 1978. Ernst & Ernst has acted as the independent auditors of CNB for the past eleven years and in the same capacity for Centran since its inception. Approval of the selection of Ernst & Ernst for the year 1978 will require the affirmative vote by the holders of a majority of the outstanding stock of Centran.

Representatives of Ernst & Ernst, independent auditors for Centran for the year ended December 31, 1977, are expected to be present at the Annual Meeting with the opportunity to make a statement if they desire to do so and to be available to respond to appropriate questions.

The Audit Committee of the Board of Directors of Centran consists of Mr. W. F. Hauserman, Chairman, and Messrs. G. S. Lockwood, Jr. and J. J. Loftus as members.

OTHER MATTERS

The cost of the solicitation of proxies will be borne by Centran. In addition to the use of the mails, proxies may be solicited by personal interview, telephone, and telegraph, and it is anticipated that banks, brokerage houses, and other institutions, nominees, or fiduciaries will be requested to forward the soliciting material to their principals and to obtain authorization for the execution of proxies.

A proxy may be revoked at any time insofar as it has not been exercised by giving written notice to Centran or stating the revocation in open meeting. The presence of any shareholder at the meeting will not operate to revoke his proxy.

Unless authority is withheld, shares represented by the enclosed proxy will be voted at the meeting to fix the number of and to elect Directors as set forth under "Election of Directors" above. If a shareholder has specified how the shares represented thereby are to be voted on the proposal to approve the appointment of independent auditors, they will be voted in accordance with such specification. If no specification is made, such shares will be voted in favor of such proposal. If any other matters shall properly come before the meeting, such shares will be voted in accordance with the judgment of the persons named as proxies. The management does not know of any other matters which will be presented for action at the meeting.

A copy of Centran's Annual Report, including financial statements, for the year ended December 31, 1977 is enclosed.

By Order of the Board of Directors.

HUBERT P. MARTIN, *Secretary*

March 15, 1978

Consolidated Statement of Capital

	Preferred Stock	Common Stock	Surplus	Retained Earnings	Treasury Stock
			(in thousands of dollars)		
Balance at January 1, 1977	$2,203	$32,293	$65,938	$48,958	$5,305
Net Income for the Year				15,656	
Cash Dividends Declared:					
Series B Preferred Stock $5.22 Per Share				(50)	
Series C Preferred Stock $5.16 Per Share				(92)	
Common Stock $1.90 Per Share				(7,337)	
Transfer from Retained Earnings to Surplus			550	(550)	
Issuance of 12,825 Common Shares Under Stock Option Plan			45	(124)	(365)
Accretion of Excess of Redemption Value over Stated Value of Series C Preferred Stock	146			(146)	
Balance at December 31, 1977	2,349	32,293	66,533	56,315	4,940
Net Income for the Year				18,797	
Cash Dividends Declared:					
Series B Preferred Stock $5.22 Per Share				(50)	
Series C Preferred Stock $5.16 Per Share				(92)	
Common Stock $2.04 Per Share				(7,887)	
Transfer from Retained Earnings to Surplus			1,000	(1,000)	
Issuance of 6,050 Common Shares Under Stock Option Plan			23	(65)	(171)
Accretion of Excess of Redemption Value over Stated Value of Series C Preferred Stock	587			(587)	
Balance at December 31, 1978	$2,936	$32,293	$67,556	$65,431	$4,769

See notes to financial statements.

Centran
Corporation

Notes to Financial Statements

Accounting Policies.

Consolidation. The consolidated financial statements include the accounts of Centran and all affiliates.

Reclassification. Certain items in the financial statements for 1977 have been reclassified to conform with the 1978 classifications.

Intangibles. Amounts assigned to goodwill in connection with acquisitions are amortized by the straight-line method over forty years.

Income. Interest on loans and securities is recognized primarily in the period in which it is earned. Trust fees and income from certain other sources are recognized, for the most part, on a cash collected basis in accordance with industry practice.

Foreign Exchange. Items comprising the foreign exchange position are valued at current rates of exchange, and related gains or losses resulting therefrom are included in other income.

Business Segments. Centran Corporation is a bank holding company. No segment of the business, other than commercial banking, is significant in relation to total assets and revenues.

Other. For other accounting policies, see related notes for: Allowance for Loan Losses; Securities; Premises and Equipment; Pension Plans; Leases; Income Taxes; and Income Per Common Share.

Allowance for Loan Losses. Affiliates base their loan-loss provisions upon experience, modified by current evaluation of the collectibility of loans in their portfolios. The allowance for loan losses for federal income tax purposes was $20,494,000 at December 31, 1978 and $20,149,000 at December 31, 1977. The financial statements show the allowance for loan losses to be $18,306,000 at December 31, 1978 and $18,109,000 at December 31, 1977. The differences between these amounts reflect additional reserves accumulated under the Internal Revenue Code and Regulations which are only available to absorb future loan charge-offs for federal income tax purposes.

Changes in the allowance are shown in the following schedule:

	Bank Affiliates	Finance Company Affiliates	Consolidated
	(in thousands of dollars)		
Balance at January 1, 1977	$16,230	$1,416	$17,646
Allowances Acquired by Purchase		95	95
Charged to Operating Expense	3,217	827	4,044
Recoveries	2,439	126	2,565
Loans Charged Off	(5,360)	(881)	(6,241)
Balance at December 31, 1977	16,526	1,583	18,109
Allowances Acquired by Purchase		175	175
Charged to Operating Expense	3,318	1,016	4,334
Recoveries	1,966	164	2,130
Loans Charged Off	(5,195)	(1,247)	(6,442)
Balance at December 31, 1978	$16,615	$1,691	$18,306

Securities. Investment securities are carried at cost adjusted for amortization of premiums and accretion of discounts computed by the straight-line method. Gains or losses on the sale of investment securities, computed by using adjusted costs of the specific certificates sold, are shown separately in the statement of income. Trading account securities are carried at market value and interest thereon is included in interest income, while gains or losses are stated separately in the statement of income.

Securities with a book value of $227,388,000 at December 31, 1978 were pledged to secure trust and public funds on deposit.

State and Municipal Securities include $3,000,000 of City of Cleveland Notes which are in default.

A comparison of book and approximate market value of securities follows:

	December 31, 1978		December 31, 1977	
	Book Value	Market Value	Book Value	Market Value
	(in thousands of dollars)			
U. S. Treasury Securities	$176,846	$172,420	$204,122	$200,418
Federal Agency Securities	142,845	130,757	144,332	141,314
State and Municipal Securities	342,166	324,420	250,487	245,340
Other Securities	5,143	5,286	5,582	5,505
Trading Account Securities	311	311	199	199
Total Securities	$667,311	$633,194	$604,722	$592,776

Centran
Corporation

Premises and Equipment. Premises and equipment, including leasehold improvements, are stated at cost less accumulated depreciation and amortization. Depreciation and amortization are determined primarily by the straight-line method at rates estimated to absorb the cost over the useful lives of the assets. Leasehold improvements are amortized over their estimated useful lives or the terms of the respective leases, whichever is shorter. Estimated useful lives are: buildings 40-50 years; leasehold improvements 10-40 years; equipment and furniture 3-12 years. Maintenance, repairs, renewals and minor improvements are charged to expense as incurred, whereas major improvements are capitalized. Net gain or loss on properties sold or otherwise disposed of is included in operating expense. Book values of properties sold or otherwise retired and related allowances for depreciation are eliminated from the accounts at the time of disposal.

	Cost	Accumulated Depreciation and Amortization	Net Book Value
		(in thousands of dollars)	
Land	$ 8,058	$ —0—	$ 8,058
Buildings	42,142	7,946	34,196
Leasehold Improvements	3,955	2,196	1,759
Equipment and Furniture	19,720	10,386	9,334
Total at December 31, 1978	$73,875	$20,528	$53,347
Land	$ 8,044	$ —0—	$ 8,044
Buildings	40,853	6,528	34,325
Leasehold Improvements	3,741	2,149	1,592
Equipment and Furniture	16,852	8,573	8,279
Total at December 31, 1977	$69,490	$17,250	$52,240

Time Certificates of Deposit Issued by Domestic Offices. Time certificates of deposit of $100,000 or more included in Total Deposits amounted to $389,971,000 at December 31, 1978 and $195,544,000 at December 31, 1977. Interest expense on these certificates amounted to $23,428,000 in 1978 and $9,198,000 in 1977.

Deposits in Foreign Offices. Included in Total Deposits were deposits in our foreign offices of $357,350,000 at December 31, 1978 and $92,741,000 at December 31, 1977. Interest expense on these deposits amounted to $4,206,000 in 1978 and $2,154,000 in 1977.

Due from Banks—Time. Included in Due from Banks—Time at December 31, 1978 were $356,250,000 of Certificates of Banks—Eurocurrency. Of this amount, $200,000,000 had overnight maturities. Official checks of $200,000,000 issued to purchase these certificates are included in demand deposits. Cash and due from banks includes $200,269,000 of items in process of collection on matured overnight certificates.

Other Borrowed Funds. The caption, "Other Borrowed Funds," includes the following items:

	December 31, 1978	December 31, 1977
	(in thousands of dollars)	
Commercial Paper	$39,780	$16,754
U.S. Treasury Borrowed Funds	36,418	—0—
Other Payable Within One Year	10,149	10,719
Payable After One Year	5,750	3,272
	$92,097	$30,745

Mortgages Payable. The mortgage on the Main Office complex of Central National Bank was $18,356,000 at December 31, 1978 and $18,801,000 at December 31, 1977. The mortgage is payable in level monthly installments amounting to $1,648,500 annually (covering principal and interest at 6¼%) through 1997.

During 1978 two existing mortgages were assumed in conjunction with an asset swap of a delinquent loan. One mortgage is payable in level monthly installments amounting to $123,500 annually through 1994 (covering principal and interest at 8½%) and is stated at its principal balance of $1,069,000 at December 31, 1978 less discount of $91,000 based on an imputed interest rate of 10%. The other mortgage is payable October 15, 1980 with interest payable monthly at 7% and is stated at its principal balance of $1,300,000 at December 31, 1978 less discount of $115,000 based on an imputed interest rate of 13%.

Promissory Notes. On April 5, 1977 Centran completed the private placement of $21,000,000 of unsecured promissory notes as follows:

Principal Amount	Interest Rate	Maturity Date
$ 6,400,000	7½%	April 5, 1980
1,750,000	7¾%	April 5, 1981
7,100,000	8%	April 5, 1982
5,750,000	8¼%	April 5, 1983
$21,000,000		

Debentures. The related indenture provides that annual sinking fund payments of $900,000 commence in 1982.

Capital Stock. The Corporation is authorized to issue 500,000 shares of Serial Preferred Stock, without par value, of which 9,700 shares designated Series B, and 17,778 shares designated Series C, were outstanding at December 31, 1978 and December 31, 1977. The Series B and Series C shares have voting rights and liquidation values of $150.00 and $135.00, respectively, and each share is con-

Continued

vertible into three common shares. Each Series B share has a stated value of $85.50, an annual cumulative dividend rate of $5.22, and is redeemable at the option of the shareholder at $150.00 after June 1, 1979. Each Series C share has a stated value (after accretion of redemption value) of $118.50 at December 31, 1978 and $85.50 at December 31, 1977, an annual cumulative dividend rate of $5.16, and a required redemption of $135.00 on June 1, 1979. The aggregate liquidation value of the Preferred Stock is $919,000 over the stated value thereof. The Preferred Stock, in the event of total conversion, would represent 82,434 common shares.

Authorized Common Stock is 7,500,000 shares of $8.00 par value. After deduction of 167,840 shares in treasury there were 3,868,799 common shares outstanding at December 31, 1978. After deduction of 173,890 shares in treasury there were 3,862,749 common shares outstanding at December 31, 1977.

Stock Options. Under the 1973 Stock Option Plan, common shares held in treasury are reserved for sale to certain officers of the Corporation or affiliates at a price equal to the fair market value of the shares on the date options are granted. The qualified options granted in 1973 expired in 1978. Nonqualified options expire ten years from the date granted and may be exercised by an optionee even though he holds an earlier exercisable option carrying a higher option price. Options for 10,000 shares were granted on December 19, 1978, at $23.50 per share, and will become exercisable to the extent of 7,500 shares in 1979 and 2,500 shares in 1980.

At December 31, 1978 there were outstanding 41,415 options at an aggregate option price of $793,000 of which 31,415 were exercisable at $17.75 per share.

At December 31, 1977 there were outstanding 61,165 options at an aggregate option price of $1,260,000 of which 23,200 were exercisable at $25.25 per share and 37,965 exercisable at $17.75 per share.

Dividend Restrictions. The principal source of income of Centran Corporation is dividends from its affiliates. Bank regulatory authorities limit the amount of cash dividends which a bank can pay without obtaining prior approval from these authorities. As of December 31, 1978, the amount of dividends which can be paid to the Corporation by its bank affiliates is approximately $18,000,000.

Pension Plans. Pension plans cover substantially all employees and are funded by annual contributions to pension trusts. Pension expense amounted to $1,702,000 in 1978 and $1,621,000 in 1977. Based on 1978 actuarial studies the market value of pension fund assets approximated vested benefits under the plans, and the unfunded past service costs amounted to approximately $5,700,000 at January 1, 1978.

Leases. Rental expense for office space and equipment amounted to $2,310,000 and $4,503,000 in 1978 and 1977, respectively. Rental expense for the Main Office complex of Central National Bank is included to November, 1977, when the property was acquired. Certain office space and equipment are leased under noncancelable leases expiring in various years through 2047. Most of these leases provide for renewals for periods ranging from one to twenty years.

The minimum future payments under all noncancelable leases are as follows:

	Office Space	Equipment	Total
	(in thousands of dollars)		
1979	$ 967	$ 498	$1,465
1980	833	394	1,227
1981	756	206	962
1982	628	24	652
1983	539	13	552
1984-1988	1,404	10	1,414
1989-1993	415	—0—	415
1994-1998	125	—0—	125
1999 and Later	989	—0—	989
	$6,656	$1,145	$7,801

Office space and equipment leased under capital leases and included above are not material.

Income Taxes. For income tax purposes, certain items of income and expense are reported in taxable years other than those in which such amounts are reported in financial statements. Net income is not affected by this practice, as tax consequences resulting therefrom are reflected in the tax provision. Investment tax credits are accounted for by the flow-through method.

The following schedule presents a reconciliation of the Corporation's effective Federal Income Tax rate as compared to the statutory rate of 48%:

	Amount		Percent of Pre-Tax Income	
	1978	1977	1978	1977
	(in thousands of dollars)			
Income tax based on income before income taxes and security transactions	$12,804	$8,874	48.0%	48.0%
Dividend and interest income not subject to Federal income tax	(6,611)	(6,301)	(24.8)	(34.1)
Investment tax credit	(599)	(616)	(2.2)	(3.3)
Other (net)	331	33	1.2	.2
Income tax provision	$ 5,925	$1,990	22.2%	10.8%

Composition of the Provision for Income Taxes for the years ended December 31, 1978 and December 31, 1977 was as follows:

	1978	1977
	(in thousands of dollars)	
Current		
Domestic Federal Income Tax	$4,666	$1,402
Foreign Taxes	480	660
Deferred		
Domestic Federal Income Tax	779	(72)
Total	$5,925	$1,990

Composition of the Provision for Income Taxes on Security Transactions for the years ended December 31, 1978 and December 31, 1977 was as follows:

	1978	1977
	(in thousands of dollars)	
Current	$(1,764)	$(286)
Deferred	(40)	(491)
Total	$(1,804)	$(777)

The components of deferred income taxes for the years ended December 31, 1978 and December 31, 1977 result from the use of the following:

	1978	1977
	(in thousands of dollars)	
Provision for Loan Losses	$117	$ 75
Cash Basis Tax Reporting	469	(847)
Other	153	209
Total	$739	$(563)

Income Per Common Share. Income per common share, after adjustment for preferred dividends and accretion of redemption value of preferred stock, is based on 3,865,726 average shares outstanding in 1978, and 3,858,446 in 1977.

Commitments and Contingent Liabilities. In the normal course of business there are outstanding various commitments and contingent liabilities, such as commitments to extend credit, future contracts, guarantees, etc., which are not reflected in the financial statements, including $14,825,000 of standby letters of credit outstanding at December 31, 1978. No material losses are anticipated as a result of any of these types of transactions.

Pending Litigation. In addition to routine litigation in the ordinary course of business, there are lawsuits pending which involve claims for substantial monetary damages. While it is impossible to predict with certainty the ultimate legal and financial responsibility in these lawsuits, it is management's opinion that these claims should not have a material effect on the consolidated financial statements.

In December 1978, Central National Bank filed a $5 million lawsuit to recover the cost of repairing the brick curtain wall enclosing its Main Office building. Cracking in the brickwork was discovered and will need to be corrected. The structural integrity of the steel and concrete building is not believed to be impaired by this problem. If recovery is not effected, it is anticipated that repair costs would be capitalized and would not have a material effect on the consolidated financial statements.

Unaudited Quarterly Results. The following is the summarized quarterly operating results (in thousands of dollars except for per share figures):

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
1978				
Interest Income	$40,138	$42,313	$46,531	$53,916
Net Interest Income	18,251	19,098	20,390	21,669
Provision for Loan Losses	1,209	1,061	806	1,258
Income Before Income Taxes and Security Transactions	5,685	5,699	7,484	7,808
Income Before Security Transactions	4,285	4,544	5,714	6,208
Net Income	3,932	4,120	5,724	5,021
Per Common Share:				
Income Before Security Transactions	1.06	1.13	1.43	1.56
Net Income	.97	1.02	1.43	1.25
1977				
Interest Income	$33,149	$34,125	$36,607	$37,709
Net Interest Income	16,116	16,141	16,773	17,579
Provision for Loan Losses	1,209	1,241	1,295	299
Income Before Income Taxes and Security Transactions	4,193	4,103	4,442	5,750
Income Before Security Transactions	3,733	3,823	4,282	4,660
Net Income	3,484	3,609	4,356	4,207
Per Common Share:				
Income Before Security Transactions	.96	.98	1.10	1.16
Net Income	.89	.93	1.12	1.04

Management's Discussion and Analysis of Operations

The following discussion and analysis are in two parts. The first compares Centran's results for the year 1978 with those for the year 1977. The second part makes a similar comparison between results for the years 1977 and 1976.

Analysis of Operations—1978-1977

Earning Assets—Loans. Centran's Commercial Loans totaled $702 million at year-end, up $127 million, or 22%, from year-end 1977. This increase was attributable to a strong expansion of credit demand in the Centran market area.

Installment Loans and Portfolio Mortgage Loans also increased as consumers borrowed at a record pace. A high level of employment, increased personal income, and inflated prices contributed to the expansion of consumer credit. Installment Loans outstanding grew $54 million, or 21%, in 1978; Portfolio Mortgage Loans, $26 million, or 10%.

Average total loans for the year were $1.16 billion, compared with $1.04 billion in 1977, an increase of 12%.

Earning Assets—Investments. Investments also increased in 1978, as yields moved steadily upward. Average total investments for the year were $921 million, or $111 million higher than in 1977.

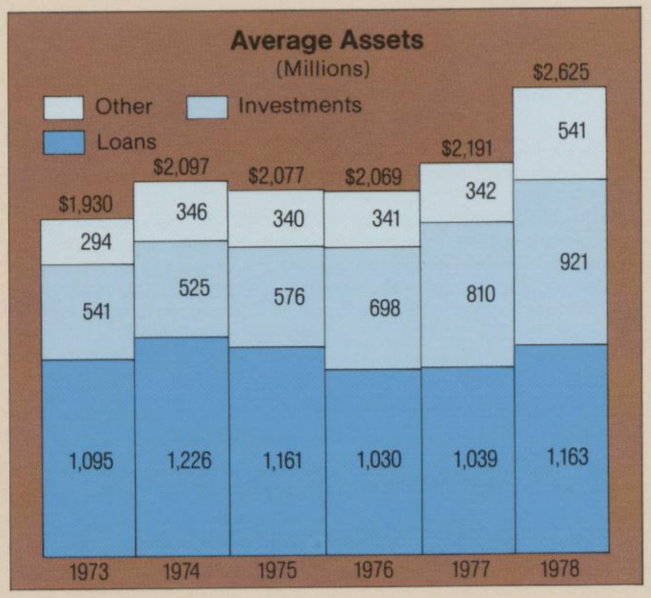
Throughout the year, significant changes were made in the composition of the portfolio to take advantage of various opportunities to improve yields.

State and Municipal Securities totaled $342 million at year-end, up $92 million from year-end 1977. Although Average State and Municipal Securities outstanding increased only $8 million in 1978, substantial changes were made during the year to improve the investment quality of the portfolio.

Average investments in higher-yielding Federal Agency Securities increased $72 million, or 96%, in 1978, with an offsetting decline of $53 million in U.S. Treasury Securities. Federal Funds Sold increased by $43 million to $109 million but the emphasis remained on investments in higher-yielding Eurodollar certificates of deposit, which increased $29 million to an average of $231 million for the year.

A high level of liquidity was maintained in anticipation of a strong demand for credit, which materialized in the second half of 1978.

Other Assets. Cash and Due from Banks averaged $438 million in 1978, which was $170 million more than in 1977. All of this difference was a result of an accounting procedure required by regulatory authorities and related to the Corporation's strategy of maintaining a significant continuing investment in overnight Eurodollar certificates of deposit, which averaged $175 million for the year. At year-end, Cash and Due from Banks was $582 million, or $324 million greater than year-end 1977. Of this increase, $200 million was caused by this accounting requirement, which also caused an increase in Demand Deposits.



Real Estate Acquired in Loan Settlements was valued at $3,377,000 at year-end, compared with $490,000 at year-end 1977. The trading of a REIT loan for property accounted for this increase.

Deposits. Demand Deposits averaged $795 million in 1978, compared with an average of $585 million in 1977, an increase of $210 million. Of this latter amount, $35 million resulted from basic deposits and $175 million from the investment strategy discussed under the heading "Other Assets."

Savings Deposits were lower in 1978 than in 1977, as higher rates paid on other instruments created "disintermediation," that is, an outflow of funds. From year-end 1977 to year-end 1978, the outflow was $29 million, or 6% of these deposits, with most of the decline occurring in the last half of 1978, so that the average decline for the year was $7 million.

Certificates of Deposit—Individuals increased during the year by approximately the $29 million amount of savings lost. The major cause of the increase was the issuance of a new certificate, beginning late in the second quarter, which had an interest rate comparable to a treasury bill rate. These new certificates totaled $30 million at year-end 1978 and averaged $10 million for the year.

Certificates—Others showed a significant increase during 1978, averaging $329 million for the year. This was $133 million higher than the 1977 average. Included in the 1978 amount were $150 million of "floating rate" certificates issued in the fourth quarter.

Borrowed Funds. Average outstanding Borrowed Funds of all types totaled $428 million, up $51 million from the $377 million in 1977. Of the difference, $22 million was attributable to an issue of Promissory Notes and a Mortgage Payable on the Central National Bank headquarters building, both of which were originated during 1977 and were in place throughout 1978.

Commercial paper sold by Centran averaged $26 million, or $13 million more than in 1977. These proceeds were used to fund growth of the non-banking affiliates. At year-end 1978, commercial paper outstanding totaled $40 million, an increase of $23 million over the year-end 1977 balance.

The remainder of the increase in borrowed funds was in Federal Funds Purchased and Securities Sold Under Agreements to Repurchase.

Interest Income. Interest Income of $119 million on total loans increased $24 million over such income in 1977. The higher level of loans accounted for $13 million of the increase, and higher rates, particularly in the more rate-sensitive Commercial Loans, accounted for the remainder.

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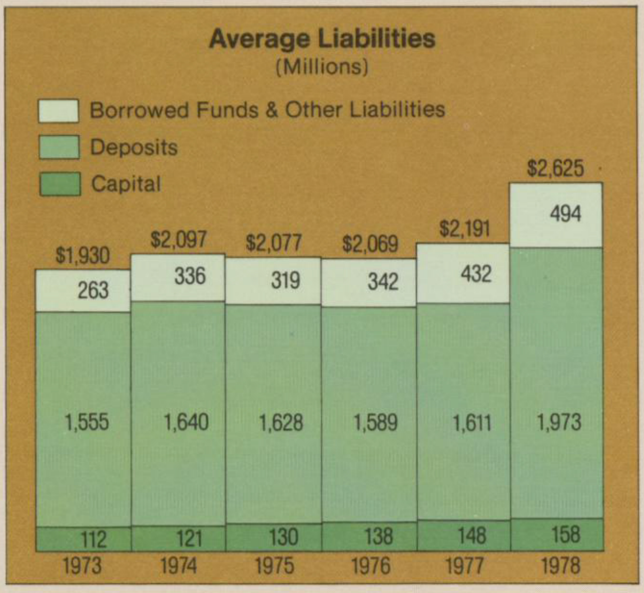


Analysis of Operations—1978-1977 (continued)

The prime rate of interest charged on commercial loans was 7.75% at the beginning of 1978 and moved upward throughout the year to a high of 11.75% in December.

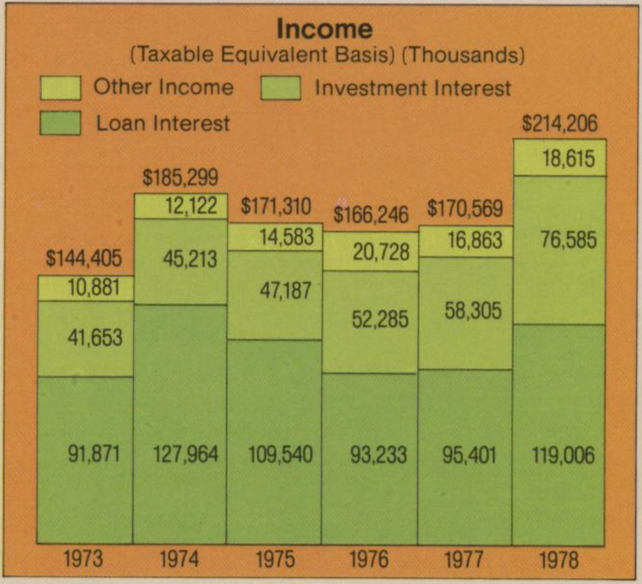
Interest Income on investments totaled $64 million in 1978, a 38% increase over the 1977 income of $46 million. The volume of investments contributed $9 million of this increase, and higher yields accounted for the remaining $9 million. Improvements in rates earned on short-term investments in Federal Funds Sold and Due from Banks—Time were the principal contributors to this favorable performance.

Interest Expense. In 1978, Interest Expense amounted to $70 million on deposits and $33 million on borrowed funds. The respective 1977 expenses were $53 million and $22 million. Of the combined $28 million increase, about half was attributable to higher rates and half to increased deposits and borrowings. A major portion of the increase occurred in Certificates of Deposits and Federal Funds Purchased.

Interest Differential. The following table shows Interest Income (on a fully taxable equivalent basis), Interest Expense, and Interest Differential by quarter and in total for 1978 and 1977:

1978	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
	(in thousands of dollars)				
Interest Income	$42,666	$45,255	$50,002	$57,668	$195,591
Interest Expense	21,887	23,215	26,141	32,247	103,490
Interest Differential	$20,779	$22,040	$23,861	$25,421	$ 92,101
Tax Equivalent Adjustment Included in Interest Income	$ 2,528	$ 2,942	$ 3,471	$ 3,752	$ 12,693
1977					
Interest Income	$36,129	$37,180	$39,796	$40,601	$153,706
Interest Expense	17,033	17,984	19,834	20,130	74,981
Interest Differential	$19,096	$19,196	$19,962	$20,471	$ 78,725
Tax Equivalent Adjustment Included in Interest Income	$ 2,980	$ 3,055	$ 3,189	$ 2,892	$ 12,116

Yields on earning assets and rates paid on interest-bearing funds increased by approximately the same amounts in 1978. The benefit from the use of non-interest-bearing funds improved 19 basis points.



The following table outlines these results:

	Year		Increase/
	1978	1977	(Decrease)
Composite Yield on Earning Assets	9.39%	8.31%	1.08%
Interest Expense as a % of Interest-Bearing Funds	6.50	5.40	1.10
Interest Margin	2.89	2.91	(.02)
Effect of Non-Interest-Bearing Funds	1.53	1.34	.19
Interest Differential Rate	4.42%	4.25%	.17%

The ratio of average total assets to average capital was 16.6 to 1 for 1978, compared with 14.8 to 1 for 1977. This increased use of leverage was related primarily to the accounting requirement referred to in "Other Assets," which increased Total Assets by an average of $175 million. Elimination of this amount from the calculation adjusts the ratio of average total assets to average capital to 15.5 to 1.

Provision for Loan Losses. Loan portfolio evaluation is a constant process at Centran. Throughout the year, reviews are made of economic conditions in the local, national, and international markets. The Provision for Loan Losses reflects an interpretation of these conditions as they relate to our borrowers. In addition, the actual financial condition of each borrower is monitored regularly. Nonperforming loans and those doubtful as to ability to meet original terms are carefully evaluated.

The Provision for Loan Losses of $4,334,000 was slightly greater than the actual amount of loans charged off (less recoveries) of $4,312,000. For 1977, the provision was $4,044,000, and net loans charged off were $3,676,000.

Loan quality improved from year-end 1977 to year-end 1978, even though total loans outstanding were significantly higher. Non-accrual and restructured loans totaled $16.2 million at the end of 1978, down from $21.6 million in 1977. The Corporation's policy of placing commercial loans in non-accrual status whenever interest or principal payments are 30 days past due is extremely conservative.

The Allowance for Loan Losses of $18.3 million, as shown on the balance sheet at December 31, 1978, represents 1.42% of all loans outstanding and is, in the opinion of management, adequate to cover all potential losses that might develop from the present portfolio.

Other Income. Trust Fees of $5.6 million were up almost 10% over 1977 fees, thus continuing an unbroken pattern of annual increases.

Trading Account Income of $522,000 was down substantially from the $1,333,000 earned in 1977. The unsettled state of the markets in the environment of rising rates precluded any significant activity because of the risk involved.

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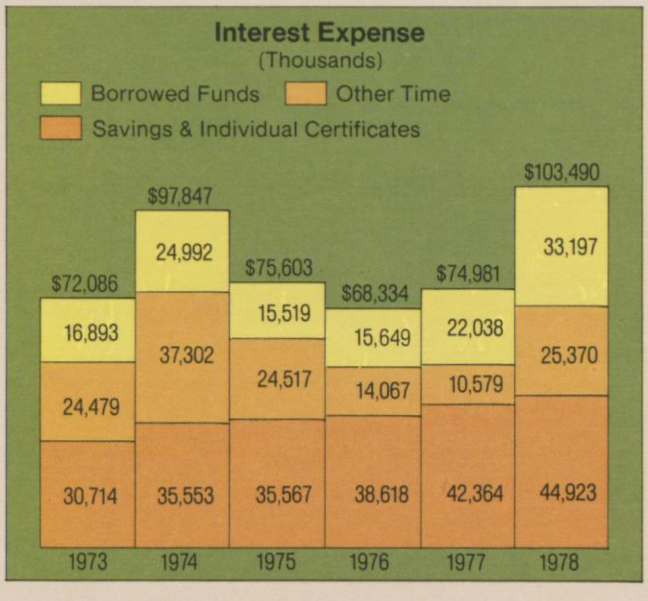


Analysis of Operations—1978-1977 (continued)

Service Charges on Deposit Accounts were up 6%, to $3.2 million, reflecting a modest growth in the number of accounts and the full impact of the revised fee schedule implemented in 1977.

Other Income of $9,238,000 was $1,886,000 greater in 1978 than in 1977. Major increases were in two areas: foreign exchange income of $911,000 was $471,000 higher, and service charges of $1,768,000 on loans were $369,000 higher.

Operating Expense. Salaries of $29.3 million were $2 million, or 7.4%, higher than 1977 salaries. Practically all of this increase was related to salary adjustments, as the number of full-time equivalent employees for the Corporation remained at the 1977 level. Employee Benefits rose $960,000 in 1978 to $5.9 million, a 19.5% increase. Payroll taxes increased $214,000, insurance benefit costs, $487,000; and all other benefit costs, $259,000.

Net Occupancy expense of $5.6 million was lower by $986,000, as the rental of the main office building of Central National Bank ceased at the time it was purchased in November 1977. In lieu of rental expense, interest on the building mortgage assumed at purchase (and included in interest expense) was approximately equal to the 1978 reduction of occupancy expense.

Depreciation on equipment purchased during 1977 and 1978 caused an increase in Furniture and Equipment expense to $4.4 million in 1978, from $3.9 million in 1977.

Other Expenses were $21.9 million, up $3.7 million from 1977. Increases in stationery ($313,000), postage ($158,000), professional fees ($371,000), insurance ($179,000), marketing ($198,000), Ohio deposit tax and capital stock tax ($459,000), and all other expenses ($1,483,000) resulted from a higher level of activity and higher prices for goods and services.

Income Taxes. Taxable income was approximately $12.8 million, compared with $5.4 million in 1977. As a result of this increase, Federal income taxes of $5.9 million were $3.9 million higher than in 1977. The tax effect on securities transactions is discussed under "Security Losses," below.

Investment tax credits were about $600,000 in each of the two years. Tax-free income from State and Municipal Securities was $13.9 million in 1978 and $13.1 million in 1977.

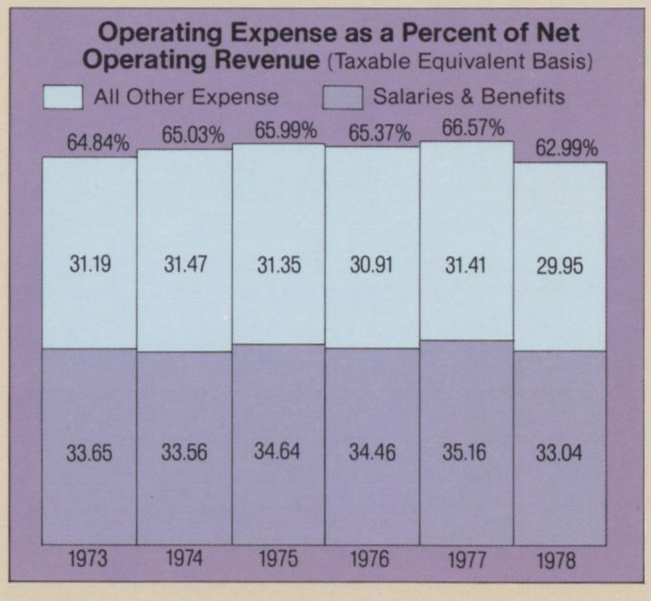
Income Before Securities Transactions. Operating income for 1978 was $20.8 million, the highest in the Corporation's history and 26% higher than the $16.5 million earned in 1977.

On a per-share basis, operating income was $5.18, an increase of 23% over the $4.20 of 1977. Per-share earnings are reduced by dividends paid and accretion of redemption value of Centran preferred stock.

Security Losses. Security Losses of $3.8 million were taken in 1978, compared with $1.6 million in 1977. When the income tax effect is considered, these losses were $1,954,000 and $842,000, respectively. The management strategy in taking these losses is to reinvest the funds in higher-yielding securities to enhance future operating earnings. More than half of the 1978 losses were taken in the fourth quarter, when yields were at their highest level for the year.

Net Income. In 1978, Net Income of $18.8 million was also a corporate record and was 20% higher than the $15.7 million in 1977. Net Income Per Share was $4.67 for 1978, and $3.98 for 1977.

Operating Expense as a Percent of Net Operating Revenue (Taxable Equivalent Basis)



Analysis of Operations—1977-1976

Earnings Assets—Loans. Centran's total loans averaged $1 billion in 1977, or $9 million more than in 1976. All this gain was attributable to installment loans, which improved throughout 1977 as consumers provided the basic support for the expansion of the economy.

The demand for commercial loans generally was weak during the first half of 1977, but both volume and rates improved in the second half.

Earning Assets—Investments. The lack of strong loan demand during 1977 provided management with the opportunity to increase investments in securities. Average investments of $174 million in U.S. Treasury Securities were $39 million, or 29%, higher than the 1976 average. Investments in Federal Agency Securities averaged $75.5 million in 1977, and $20 million in 1976. Short-term investments in 1977 averaged $268 million, or $27 million higher than in 1976. Non-taxable investment securities did not have an appreciable change from 1976 to 1977.

Other Assets. There were no significant changes in assets in 1977 other than earning assets, with the exception of the purchase of the headquarters building of Centran's lead bank, Central National Bank, in November 1977 for approximately $28 million.

Deposits. Demand Deposits were down slightly in 1977 from the 1976 average. Savings Deposits averaged $505 million in 1977, an increase of $52 million over the prior year. Certificates of Deposit—Individuals for 1977 averaged $310 million, or $13 million higher than in 1976. These increases were partially offset by lower average Certificates of Deposit—Others, which were $196 million in 1977 and $236 million in 1976.

Borrowed Funds. The increase in earning assets in 1977 was primarily funded by short-term debt instruments. Federal Funds Purchased and Securities Sold Under Agreements to Repurchase averaged $272 million and were $110 million higher than in comparable 1976 transactions.

Interest Income. Interest Income from loans was $95 million in 1977, up $2 million from 1976. Of this increase, 70% was due to slightly higher levels of outstanding loans, and the balance to a higher yield of 13 basis points. The prime rate of interest, which affects yields on commercial loans, declined during 1976 but recovered during the second half of 1977 to close at 7.75% at year-end.

Interest Income of $46 million from securities in 1977 was $6 million greater than in 1976. This gain was due to an $8 million gain in the level of investment, and a $2 million decrease in yields.

Interest Expense. The composite average cost of funds in 1977 was 5.40%, or only one basis point higher than the 1976 cost of 5.39%. Interest Expense of $75 million in 1977 was $7 million higher than the 1976 expense, due entirely to the higher level of borrowing.

Interest Differential. The following table shows Interest Income (on a fully taxable equivalent basis), Interest Expense, and Interest Differential for 1977 and 1976:

	1977	1976
Interest Income	$153,706	$145,518
Interest Expense	74,981	68,334
Interest Differential	$ 78,725	$ 77,184
Tax Equivalent Adjustment Included in Interest Income	$ 12,116	$ 12,319

Two factors in the 1977 performance were less favorable than that of 1976. First, the composite yield on earning assets was 11 basis points lower at 8.31%. Secondly, even though rates on interest-bearing funds were comparable for both years, in 1977 about 75% of earning assets were supported by such funds, while in 1976 the ratio of interest-bearing funds to earning assets was 73.4%. This second factor reduced the interest differential rate 9 basis points.

Continued

Analysis of Operations—1977-1976 (continued)

The following table outlines these results:

	Year 1977	Year 1976	Increase/ (Decrease)
Composite Yield on Earning Assets	8.31%	8.42%	(.11)%
Interest Expense as a % of Interest-Bearing Funds	5.40	5.39	.01
Interest Margin	2.91	3.03	(.12)
Effect of Non-Interest-Bearing Funds	1.34	1.43	(.09)
Interest Differential Rate	4.25%	4.46%	(.21)%

Leverage (the ratio of total average assets to capital) was 14.8 to 1 for 1977, comparable with the 14.9 to 1 ratio for 1976.

Provision for Loan Losses. The continued improvement in the economy was reflected most strongly in the fourth quarter of 1977, as non-accrual, restructured, and close-attention loans were reduced by $5.2 million from the end of the third quarter and by $8.0 million from the previous year-end. The Provision for Loan Losses in 1977 of $4.0 million was $368,000 greater than net charge-offs and was substantially below the 1976 provision of $7.6 million.

At year-end 1977, the Allowance for Loan Losses was $18.1 million, or 1.67% of loans. This compares with $17.6 million, or 1.57% of loans, at year-end 1976.

Other Income. Income other than interest is categorized as Trust Fees, Trading Account Income, and Other Income. Trust Fees of $5,142,000 in 1977 were $389,000, or 8.2% higher than in 1976 as a result of new accounts and higher market values of securities. This improvement was a continuation of the growth experienced in 1976.

Trading Account Income was $1,333,000, down sharply from the $6,847,000 earned in 1976. In the fourth quarter of 1976, Centran recorded $4,860,000 in Trading Account Income when unusual market conditions involving U.S. Treasury Securities provided an extraordinary opportunity for trading account profits. As management expected, such market conditions did not recur in 1977. Centran's Trading Account Income was only $40,000 in the fourth quarter of that year.

Other Income of $10,388,000 was $1,260,000 greater than in 1976, reflecting increased service charges (up $633,000), foreign exchange income (up $344,000), service charges on loans (up $117,000), and data processing income (up $160,000).

Operating Expense. Operating Expense in 1977 was $60.9 million, compared with $59.0 million in 1976, an increase of 3.2%. Various supply and service expenses increased, including stationery, equipment rental (several new pieces of data processing equipment were added), and telephone. Continued close attention to all expenses produced favorable results, when considered in relation to the constant pressure of inflation.

Income Taxes. The 1977 provision of $1,990,000 for Income Taxes was $310,000 less than the 1976 provision, due primarily to lower earnings subject to Federal income tax and to $123,000 more investment tax credits taken in 1977.

Income Before Security Transactions. Income was $16,498,000 Before Security Transactions, only $157,000 less than the $16,655,000 reported in 1976. Earnings per common share were $4.20, down 2.3% from the $4.30 reported in 1976. A portion of this decrease was attributable to the fourth-quarter accretion of redemption value of Centran's Series C Preferred Stock, equivalent to $.04 per common share. This accretion will continue through the second quarter of 1979.

Security Losses. Security Losses recognized in 1977 were $842,000, compared with $203,000 in 1976. Of the 1977 amount, $381,000 was the result of normal portfolio transactions to improve yields or maturities, or both. The remaining $461,000 represents the valuation of "forward" contracts involving Government National Mortgage Association (GNMA) securities, which, according to the Comptroller of the Currency, must be valued at their market price on the settlement date, even though such securities will be carried in the investment portfolio.

Net Income. Net Income of $15,656,000 was $796,000 less than the $16,452,000 recorded in 1976. Net Income per Common Share of $3.98 was 6.4% lower than the $4.25 reported in 1976.

Supplementary Financial Data

Consolidated Statement of Income (a)

	1978	1977	1976	1975	1974	1973
			(in thousands of dollars)			
Interest Income:						
Commercial Loans	$ 58,119	$ 42,613	$ 43,215	$ 58,557	$ 80,783	$ 54,752
Installment Loans	40,459	34,190	31,944	32,215	28,889	20,407
Portfolio Mortgage Loans	20,428	18,598	18,074	18,768	18,292	16,712
Federal Funds Sold and Securities Purchased Under Agreements to Resell	8,292	4,031	5,190	4,234	6,230	6,340
Due from Banks—Time	20,436	11,841	9,399	2,325	3,986	2,015
U.S. Treasury Securities	8,039	10,827	8,979	7,245	5,113	6,143
Federal Agency Securities	11,810	5,616	1,354	5,716	3,854	1,760
State and Municipal Securities	13,831	13,098	13,299	13,868	12,992	12,608
Other Securities	287	325	543	645	657	675
Trading Account Assets	1,197	451	1,202	312	366	463
Total Interest Income	182,898	141,590	133,199	143,885	161,162	121,875
Interest Expense:						
Savings Deposits	23,231	23,499	20,626	17,719	16,650	16,397
Certificates—Individuals	21,692	18,865	17,992	17,848	18,903	14,317
Certificates—Others	25,370	10,579	14,067	24,517	37,302	24,479
Federal Funds Purchased and Securities Sold Under Agreements to Repurchase	23,568	15,109	8,510	8,293	15,752	12,087
Other Borrowed Funds	3,722	2,627	4,226	4,313	6,327	1,893
Mortgages Payable	1,336	164	—0—	—0—	—0—	—0—
Promissory Notes	1,658	1,225	—0—	—0—	—0—	—0—
Capital Notes	950	950	950	950	950	950
Debentures	1,963	1,963	1,963	1,963	1,963	1,963
Total Interest Expense	103,490	74,981	68,334	75,603	97,847	72,086
Interest Differential	79,408	66,609	64,865	68,282	63,315	49,789
Provision for Loan Losses	4,334	4,044	7,611	12,694	5,839	4,176
Net Interest After Provision	75,074	62,565	57,254	55,588	57,476	45,613
Trust Fees	5,641	5,142	4,753	4,220	3,877	3,812
Trading Account Income	522	1,333	6,847	763	(72)	(231)
Other Income	12,452	10,388	9,128	9,600	8,317	7,300
Net Operating Revenue	93,689	79,428	77,982	70,171	69,598	56,494
Operating Expense:						
Salaries & Employee Benefits	35,149	32,183	31,118	28,755	27,392	22,926
Other Operating Expense	31,864	28,757	27,909	26,028	25,679	21,256
Total Operating Expense	67,013	60,940	59,027	54,783	53,071	44,182
Income Before Income Taxes	26,676	18,488	18,955	15,388	16,527	12,312
Income Taxes Thereon	5,925	1,990	2,300	275	1,630	(170)
Income Before Security Transactions	20,751	16,498	16,655	15,113	14,897	12,482
Security Transactions	(3,758)	(1,619)	(389)	1,495	61	234
Applicable Income Taxes	(1,804)	(777)	(186)	697	29	112
Security Transactions After Taxes	(1,954)	(842)	(203)	798	32	122
Net Income	$ 18,797	$ 15,656	$ 16,452	$ 15,911	$ 14,929	$ 12,604

(a) *Data of affiliates acquired in purchase transactions are included since dates of acquisition.*

Continued

Average Consolidated Balance Sheet (a)
(Computed principally on average daily balances)

	1978	1977	1976	1975	1974	1973
			(in thousands of dollars)			
Commercial Loans	$ 623,085	$ 554,061	$ 556,036	$ 666,185	$ 738,815	$ 669,346
Installment Loans	277,148	237,414	225,466	233,462	225,268	177,727
Portfolio Mortgage Loans	262,589	247,697	248,356	260,910	262,265	247,886
Federal Funds Sold and Securities Purchased Under Agreements to Resell	109,343	66,098	93,198	68,499	59,145	70,742
Due from Banks—Time	231,378	202,009	147,745	30,366	38,759	22,541
U.S. Treasury Securities	121,655	174,298	135,213	104,398	85,181	111,185
Federal Agency Securities	148,002	75,524	20,334	74,294	53,295	28,342
State and Municipal Securities	287,130	279,213	274,042	283,006	273,016	287,746
Other Securities	5,268	5,837	9,469	10,474	10,601	12,747
Trading Account Assets	18,442	6,924	17,912	5,275	5,040	7,544
Total Earning Assets	2,084,040	1,849,075	1,727,771	1,736,869	1,751,385	1,635,806
Less Allowance for Loan Losses	19,129	19,175	17,531	15,767	13,611	12,898
Cash and Due from Banks	437,588	267,177	270,713	257,827	261,619	242,760
Other Assets	122,189	94,114	88,481	98,487	97,657	64,296
Total Assets/Liabilities	$2,624,688	$2,191,191	$2,069,434	$2,077,416	$2,097,050	$1,929,964
Demand Deposits	$ 794,650	$ 584,779	$ 589,462	$ 590,519	$ 599,714	$ 583,416
Savings Deposits	497,382	504,813	452,365	396,096	383,829	392,435
Certificates—Individuals	337,584	310,167	296,874	291,128	283,708	250,478
Certificates—Others	328,820	195,911	236,041	336,928	357,907	317,315
Other Time Deposits	14,067	14,923	13,984	13,498	14,264	11,404
Total Deposits	1,972,503	1,610,593	1,588,726	1,628,169	1,639,422	1,555,048
Federal Funds Purchased and Securities Sold Under Agreements to Repurchase	294,944	272,436	162,856	141,568	155,650	146,345
Other Borrowed Funds	47,251	40,865	75,001	59,699	67,871	25,245
Mortgages Payable	19,735	2,688	—0—	—0—	—0—	—0—
Promissory Notes	21,000	15,592	—0—	—0—	—0—	—0—
Capital Notes	20,000	20,000	20,000	20,000	20,000	20,000
Debentures	25,000	25,000	25,000	25,000	25,000	25,000
Other Liabilities	65,976	55,639	59,231	72,440	67,867	46,685
Capital	158,279	148,378	138,620	130,540	121,240	111,641

(a) *Data of affiliates acquired in purchase transactions are included since dates of acquisition.*
(b) *Based on average balances.*
(c) *Stated on a taxable equivalent basis.*
(d) *Based on income and dividends declared per common share.*
(e) *Based upon income (reduced by dividends and accretion of redemption value of preferred stock) and average common shares outstanding.*
(f) *Based on shares outstanding at each year-end.*

Yields on Earning Assets (a) (b) (c)	1978	1977	1976	1975	1974	1973
Commercial Loans	9.33%	7.69%	7.77%	8.79%	10.93%	8.18%
Installment Loans	14.60	14.40	14.17	13.80	12.82	11.48
Portfolio Mortgage Loans	7.78	7.51	7.28	7.19	6.97	6.74
Federal Funds Sold and Securities Purchased Under Agreements to Resell	7.58	6.10	5.57	6.18	10.53	8.96
Due from Banks—Time	8.83	5.86	6.36	7.66	10.28	8.94
U.S. Treasury Securities	6.61	6.21	6.64	6.94	6.00	5.53
Federal Agency Securities	7.98	7.44	6.66	7.69	7.23	6.21
State and Municipal Securities	9.22	9.02	9.33	9.42	9.15	8.43
Other Securities	5.46	5.57	5.73	6.16	6.20	5.30
Trading Account Assets	6.69	6.51	6.95	6.69	7.72	6.28
Composite Yield	9.39	8.31	8.42	9.02	9.89	8.16
Effective Interest Rates Paid (b)						
Savings Deposits	4.67%	4.65%	4.56%	4.47%	4.34%	4.18%
Certificates—Individuals	6.43	6.08	6.06	6.13	6.66	5.72
Certificates—Others	7.72	5.40	5.96	7.28	10.42	7.71
Federal Funds Purchased and Securities Sold Under Agreements to Repurchase	7.99	5.55	5.23	5.86	10.12	8.26
Other Borrowed Funds	7.88	6.43	5.63	7.22	9.32	7.50
Mortgages Payable	6.77	6.10	—0—	—0—	—0—	—0—
Promissory Notes	7.90	7.86	—0—	—0—	—0—	—0—
Capital Notes	4.75	4.75	4.75	4.75	4.75	4.75
Debentures	7.85	7.85	7.85	7.85	7.85	7.85
Composite Rate Paid	6.50	5.40	5.39	5.95	7.56	6.13
Interest Rate Differential (b) (c)	4.42%	4.25%	4.46%	4.67%	4.30%	3.75%
Ratios (b)						
Income Before Security Transactions:						
Return on Capital	13.11%	11.12%	12.01%	11.58%	12.29%	11.18%
Return on Earning Assets	1.00	.89	.96	.87	.85	.76
Return on Total Assets	.79	.75	.80	.73	.71	.65
Dividend Payout Ratio (d)	39.38	45.24	41.86	43.59	44.16	51.99
Net Income:						
Return on Capital	11.88	10.55	11.87	12.19	12.31	11.29
Return on Earning Assets	.90	.85	.95	.92	.85	.77
Return on Total Assets	.72	.71	.80	.77	.71	.65
Dividend Payout Ratio (d)	43.68	47.74	42.35	41.36	44.04	51.52
Capital As a Percent of:						
Total Assets	6.03	6.77	6.70	6.28	5.78	5.78
Earning Assets	7.59	8.02	8.02	7.52	6.92	6.82
Deposits	8.02	9.21	8.73	8.02	7.40	7.18
Loans	13.61	14.28	13.46	11.25	9.89	10.20
Per Common Share						
Income Before Security Transactions (e)	$ 5.18	$ 4.20	$ 4.30	$ 3.90	$ 3.85	$ 3.27
Net Income (e)	4.67	3.98	4.25	4.11	3.86	3.30
Dividends Declared	2.04	1.90	1.80	1.70	1.70	1.70
Book Value at year-end (f)	41.49	38.88	36.85	34.46	32.05	29.94
Average Shares Outstanding	3,865,726	3,858,446	3,840,020	3,836,639	3,836,639	3,815,640

Continued

Supplementary Financial Data *(Continued)*

Security Portfolio

Book value of the security portfolio and trading account, at December 31 in each of the past six years, is set forth in the following table:

	1978	1977	1976	1975	1974	1973
			(in thousands of dollars)			
U.S. Treasury	$176,846	$204,122	$ 84,347	$107,025	$ 96,800	$107,420
Federal Agency	142,845	144,332	21,268	54,493	99,398	35,653
State and Municipal	342,166	250,487	270,367	336,040	227,448	259,574
Other	5,143	5,582	6,432	9,089	9,906	11,438
Total	$667,000	$604,523	$382,414	$506,647	$433,552	$414,085
Trading Account	$ 311	$ 199	$117,533	$ 3,067	$ 1,011	$ 16,511

The book value maturity distribution and tax equivalent yield of the investment security portfolio, at December 31, 1978, are shown in the following table:

	1 Year Or Less		After 1 thru 5		After 5 thru 10		After 10 Years	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
				(dollars in thousands)				
U.S. Treasury	$ 79,538	7.99%	$ 60,297	7.57%	$ 37,011	8.82%	$ —0—	—0—%
Federal Agency	6,346	7.43	17,396	7.71	2,565	7.36	116,538	8.24
State and Municipal	80,245	8.68	70,608	9.61	117,287	9.94	74,026	10.82
Other	300	6.90	—0—	—0—	400	6.44	4,443	3.40
Total	$166,429	8.30%	$148,301	8.55%	$157,263	9.60%	$195,007	9.03%
Taxable equivalent adjustment for calculation of State and Municipal securities yield	$ 3,340		$ 3,233		$ 5,442		$ 3,851	

Composite yields are calculated on the basis of costs and effective yields weighted for the scheduled maturity of each security. A 48% tax rate has been assumed in calculating tax equivalent yields on State and Municipal securities.

At December 31, 1978, the concentration of obligations of individual states and their political subdivisions exceeding 10% of the Corporation's capital were: California $20,515,000; Massachusetts $26,134,000; Ohio $119,315,000 and Pennsylvania $21,196,000.

Loans

The table below shows the classification of consolidated loans by major category at December 31 in each of the past six years:

	1978	1977	1976	1975	1974	1973
			(in thousands of dollars)			
Real Estate:						
Residential, 1-4 family	$ 213,737	$ 195,807	$ 195,050	$ 206,726	$ 219,185	$ 208,837
Construction and Land Development	28,132	25,768	11,617	*NA*	*NA*	*NA*
Other Real Estate	56,362	53,647	48,792	61,402	68,190	63,342
Financial Institutions:						
REIT's and Mortgage Companies	17,719	21,008	25,402	*NA*	*NA*	*NA*
Domestic Commercial Banks	897	24	2,970	1,074	82	—0—
Banks in Foreign Countries	32,061	10,491	14,731	28,997	53,940	35,130
Other Depository Institutions	18,430	10,175	5,919	*NA*	*NA*	*NA*
Other Financial Institutions	42,067	25,906	33,629	114,107	99,746	126,667
Purchasing or Carrying Securities	22,787	3,274	3,817	3,579	6,513	20,791
Farmers	3,418	3,161	2,329	1,949	1,851	1,722
Commercial and Industrial Loans	413,506	313,861	381,502	306,275	401,513	371,796
Consumer (a)	343,368	290,441	259,435	262,702	244,468	208,244
All Other Attributable to Domestic Operations	18,657	10,159	15,673	11,025	32,024	31,618
In Foreign Offices (b)	80,752	121,258	123,429	112,417	116,828	87,662
Total	$1,291,893	$1,084,980	$1,124,295	$1,110,253	$1,244,340	$1,155,809

NA—Not available.

(a) *Includes increase of $11,440,000 in 1974 from purchase of finance company affiliates.*

(b) *Includes Nassau Branch and Edge Act Subsidiary in New York City.*

Non-Performing Loans

Non-performing commercial loans (including loans to real estate investment trusts and to mortgage companies) comprise: (a) Loans transferred to cash basis status when any payment of interest or principal is more than thirty days past due; (b) Loans renegotiated with borrowers to provide for a reduction or deferral of interest or principal because of deterioration in the financial position of the borrower, which are also transferred to cash basis status; and (c) Certain loans designated "close attention" loans because of general credit considerations, notwithstanding the fact that such loans are accruing interest and payments are current. Continuing attention is devoted to reviewing loans to assess current risk exposure.

The following table presents information on non-performing commercial loans by category at each year end:

	December 31,		
	1978	1977	1976
	(in thousands of dollars)		
Aggregate Loan Balances:			
Past due 30 days	$ 9,398	$ 9,532	$18,510
Renegotiated	6,767	12,071	7,189
"Close Attention"	7,091	7,765	11,703
Total Non-Performing Loans	$23,256	$29,368	$37,402
Interest that would have been accrued if current (based on current market rates):			
Past due 30 days	$ 1,179	$ 873	$ 1,710
Renegotiated	701	1,031	625
Interest reflected in income during the year:			
Past due 30 days	$ 664	$ 449	$ 819
Renegotiated	189	365	161

Installment loans of bank affiliates are charged off when 90 days contractually delinquent. Installment loans of finance company affiliates and credit card loans of bank affiliates are charged off when 210 days contractually delinquent. Effectively, installment and credit card loans are charged off when they become delinquent with the result that this classification includes no non-accrual loans. The aggregate amount of installment and credit card loans 60 days past due and uncollected interest on these loans is presented in the following table:

	December 31,		
	1978	1977	1976
	(in thousands of dollars)		
Installment and Credit Card Loans:			
Aggregate Loan Balance	$ 4,492	$ 3,264	$ 3,053
Uncollected Interest	178	161	95

Mortgage loans without government guarantees are placed in cash basis status when foreclosure proceedings are instituted — usually when approximately six months delinquent. Cash basis loans in the portfolio mortgage loan classification are negligible. Real estate acquired through foreclosure proceedings on delinquent mortgage loans and asset swaps amounted to $3,377,000 at December 31, 1978, $490,000 at December 31, 1977, and $513,000 at December 31, 1976.

Continued

Maturity Distribution of Loans

The following table shows the remaining maturities of selected loans at December 31, 1978.

	One Year or Less	Over One Year Through Five Years	Over Five Years	Total
		(in thousands of dollars)		
Domestic:				
Construction, Land Development and Other Real Estate	$ 24,221	$ 20,718	$39,555	$ 84,494
Commercial and Industrial	255,570	131,010	26,926	413,506
Other Excluding Consumer Loans and 1-4 Family Residential	104,070	42,390	9,576	156,036
In Foreign Offices (a)	36,084	29,535	15,133	80,752
Total	$419,945	$223,653	$91,190	$734,788

(a) *Includes Nassau Branch and Edge Act Subsidiary in New York City.*

At December 31, 1978, loans with maturities of more than one year totaled $314,843,000 of which $87,053,000 had predetermined interest rates and $227,790,000 had floating rates.

Allowance for Loan Losses

The provision for loan losses is determined by management based upon loss experience in relation to loans outstanding, modified by a comprehensive quarterly review of the loan portfolio with particular emphasis on problem loans.

	1978	1977	1976	1975	1974	1973
			(dollars in thousands)			
Allowance for Loan Losses:						
Balance at January 1	$ 18,109	$ 17,646	$ 14,735	$ 13,873	$ 12,008	$ 11,558
Allowances Acquired by Purchase	175	95	267	131	327	470
Charged to Operating Expense	4,334	4,044	7,611	12,694	5,839	4,176
Recoveries	2,130	2,565	2,839	897	660	605
Loans Charged Off	(6,442)	(6,241)	(7,563)	(12,860)	(4,961)	(4,801)
Allowances Sold	—0—	—0—	(243)	—0—	—0—	—0—
Balance at December 31	$ 18,306	$ 18,109	$ 17,646	$ 14,735	$ 13,873	$ 12,008
Loans:						
Average Loans for the Year	$1,162,822	$1,039,172	$1,029,858	$1,160,557	$1,226,348	$1,094,959
Loans Outstanding at December 31	1,291,893	1,084,980	1,124,295	1,110,253	1,244,340	1,155,809
Ratios:						
Net Charge-Offs to Average Loans	.37%	.35%	.46%	1.03%	.35%	.38%
Allowance for Loan Losses to Loans Outstanding	1.42	1.67	1.57	1.33	1.11	1.04

Analysis of Net Charge-Offs

	1978	1977	1976	1975	1974	1973
			(in thousands of dollars)			
Charge-Offs:						
Installment Loans	$3,114	$2,527	$2,949	$ 3,039	$1,769	$1,054
Portfolio Mortgage Loans	10	25	23	110	31	48
REIT and Mortgage Company Loans	689	1,042	462	2,072	—0—	—0—
International Loans	1,230	793	700	428	—0—	463
Other Commercial Loans	1,399	1,854	3,429	7,211	3,161	3,236
Total Charge-Offs	6,442	6,241	7,563	12,860	4,961	4,801
Recoveries:						
Installment Loans	867	1,015	740	516	401	357
Portfolio Mortgage Loans	—0—	7	2	—0—	15	13
REIT and Mortgage Company Loans	191	17	14	—0—	—0—	—0—
International Loans	357	298	94	55	—0—	73
Other Commercial Loans	715	1,228	1,989	326	244	162
Total Recoveries	2,130	2,565	2,839	897	660	605
Net Charge-Offs	$4,312	$3,676	$4,724	$11,963	$4,301	$4,196

Allocation of Allowance for Loan Losses

The allocation of allowance for loan losses is based on estimates which take into account historical loss data and risk characteristics. Allocation is subject to change as additional loss data becomes available and changes in the economy occur. The total allowance for loan losses continues to be a general reserve available against the entire portfolio. Allocations are not meant to be an indication of the expected trend of future charge-offs. Allocation of the allowance for loan losses as of years ending December 31, 1976-8 and the ratios of the year-end loans outstanding by category to total loans are as follows:

	December 31, 1978		December 31, 1977		December 31, 1976	
Loan Categories	Allowance For Loan Losses Allocation	Ratio/ Year-end Loans to Total Loans	Allowance For Loan Losses Allocation	Ratio/ Year-end Loans to Total Loans	Allowance For Loan Losses Allocation	Ratio/ Year-end Loans to Total Loans
			(dollars in thousands)			
Real Estate	$ 300	23.1%	$ 200	25.4%	$ 200	22.7%
Financial Institutions	2,000	8.6	1,500	6.2	1,000	7.4
Purchasing or Carrying Securities	100	1.8	35	0.3	35	0.3
Farmers	25	0.3	25	0.3	25	0.2
Commercial and Industrial	3,500	32.0	3,500	28.9	4,200	33.9
Individuals	4,600	26.6	4,600	26.8	5,100	23.1
Other Domestic	150	1.4	150	0.9	150	1.4
Attributable to Foreign Operations	2,000	6.2	1,200	11.2	1,200	11.0
Unallocated	5,631		6,899		5,736	
	$18,306	100.0%	$18,109	100.0%	$17,646	100.0%

Continued

Deposits

The table below shows average deposits by major classifications for each of the past six years:

	1978	1977	1976	1975	1974	1973
			(in thousands of dollars)			
Domestic:						
Demand Deposits	$ 542,055	$ 507,853	$ 489,913	$ 493,716	$ 497,880	$ 497,478
Savings Deposits	497,382	504,813	452,365	396,096	383,829	392,435
Time Under $100,000	323,581	315,372	297,245	273,981	259,622	278,972
Time $100,000 or More	296,885	161,357	190,022	268,569	280,117	207,092
In Foreign Offices (a)	312,600	121,198	159,181	195,807	217,974	179,071
Total Deposits	$1,972,503	$1,610,593	$1,588,726	$1,628,169	$1,639,422	$1,555,048

(a) *Includes Nassau Branch and Edge Act Subsidiary in New York City.*

The following table sets forth, by time remaining to maturity, domestic time deposits in amounts of $100,000 or more at December 31, 1978:

	December 31, 1978
	(in thousands of dollars)
Three Months or Less	$158,705
Over Three Thru Six Months	166,551
Over Six Thru Twelve Months	61,318
Over One Year	3,397
Total	$389,971

Rate/Volume Analysis

The following table attributes the changes in net interest earnings to changes in the average balances and to fluctuations in the average rates:

	1978 over 1977			1977 over 1976		
	Volume	Rate	Total	Volume	Rate	Total
			(in thousands of dollars)			
Increase (Decrease) in:						
Interest Income (a):						
Loans	$12,772	$10,833	$23,605	$ 1,505	$ 663	$ 2,168
Taxable Investment Securities	2,181	1,187	3,368	6,196	(304)	5,892
Non-Taxable Investment Securities	722	577	1,299	474	(861)	(387)
Funds Sold	2,958	1,303	4,261	(1,581)	422	(1,159)
Other	2,940	6,412	9,352	2,557	(883)	1,674
Total	21,573	20,312	41,885	9,151	(963)	8,188
Interest Expense:						
Savings Deposits	(346)	78	(268)	2,416	457	2,873
Other Time Deposits	9,583	5,983	15,566	(578)	(154)	(732)
Deposits in Foreign Offices	934	1,118	2,052	(894)	(989)	(1,883)
Short-Term Debt	2,051	7,582	9,633	4,026	891	4,917
Long-Term Debt	1,455	71	1,526	1,345	127	1,472
Total	13,677	14,832	28,509	6,315	332	6,647
Interest Differential	$ 7,896	$ 5,480	$13,376	$ 2,836	$(1,295)	$ 1,541

(a) *Taxable equivalent basis. The change in interest due to both rate and volume has been allocated 50% to change due to rate.*

Foreign Operations

The distribution of foreign assets by geographic area for the year 1978 is shown below (primarily average daily balances):

		Due from Banks				
	Loans	Interest Bearing	Non-Interest Bearing	Bankers Acceptances	Other	Total
			(in thousands of dollars)			
Latin America	$ 75,074	$ 115	$ 18	$1,782	$ 482	$ 77,471
Europe	22,300	28,177	120	227	—0—	50,824
Canada	1,720	30,235	170	—0—	—0—	32,125
Mid-East and Africa	9,702	—0—	2	38	1,095	10,837
Asia and Oceania	4,679	1,000	123	1,525	—0—	7,327
Total	$113,475	$59,527	$433	$3,572	$1,577	$178,584

For purposes of the above presentation, foreign assets are those for which both the obligor and guarantor, where applicable, are domiciled in foreign countries.

While international transactions in some countries involve risks not present in domestic transactions, certain of these risks are reduced by government guarantees. At December 31, 1978, loans included in foreign assets totaled $118,525,000, of which $51,022,000, or 43%, were made to or guaranteed by foreign governments or agencies thereof.

The Corporation's lead affiliate, Central National Bank of Cleveland, regularly trades in foreign currencies for its own account and as a service to its business customers. By policy, the Bank does not maintain a material open position in any currency.

Commitments and Lines of Credit

Affiliate banks extend lines of credit to corporations. Such lines of credit represent commitments to provide short-term draws—usually 90-day loans. Typically, such loans are for seasonal working-capital purposes and repayment of such loans is anticipated at maturity. These lines are extended to corporate borrowers on an annual basis and are subject to review following the company's fiscal year-end. Generally, fees are not charged for lines of credit.

Continued

Supplementary Financial Data *(Continued)*

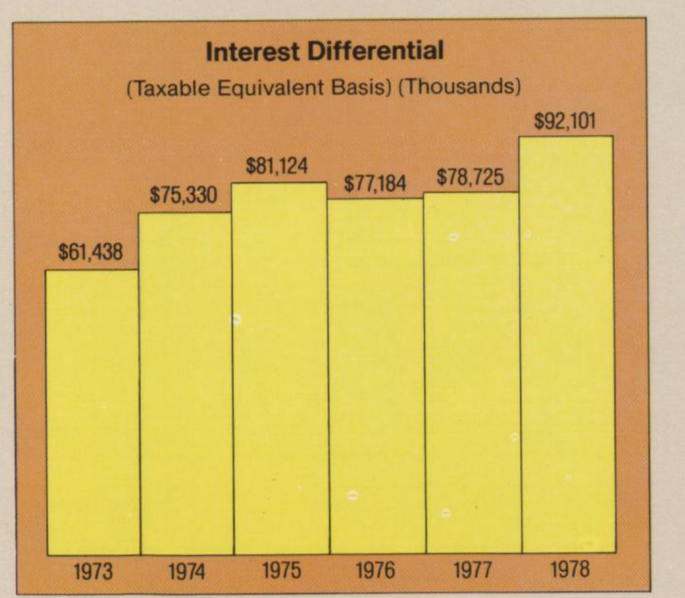
Interest Rates and Interest Differential

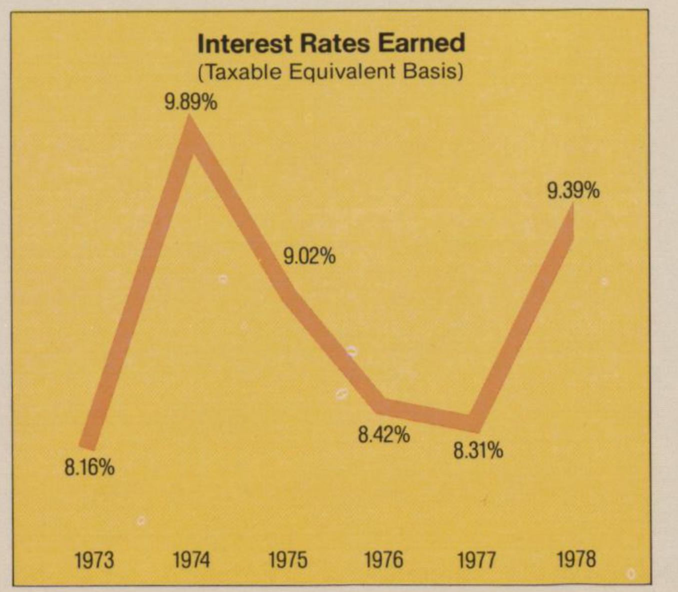
Year Ended December 31,	1978			1977			1976		
	Average Balance	Interest & Fees	Average Rate	Average Balance	Interest & Fees	Average Rate	Average Balance	Interest & Fees	Average Rate
									(dollars in thousands)
Earning Assets:									
Loans (a)	$1,162,822	$119,006	10.23%	$1,039,172	$ 95,401	9.18%	$1,029,858	$ 93,233	9.05%
Taxable Investment Securities	274,925	20,136	7.32	255,659	16,768	6.56	165,016	10,876	6.59
Non-Taxable Investment Securities (b)	287,130	26,487	9.22	279,213	25,188	9.02	274,042	25,575	9.33
Federal Funds Sold and Securities Purchased under Agreements to Resell	109,343	8,292	7.58	66,098	4,031	6.10	93,198	5,190	5.57
Other (b)	249,820	21,670	8.67	208,933	12,318	5.90	165,657	10,644	6.43
Total Earning Assets	2,084,040	195,591	9.39	1,849,075	153,706	8.31	1,727,771	145,518	8.42
Interest-Bearing Funds:									
Savings Deposits	$ 497,382	$ 23,231	4.67%	$ 504,813	$ 23,499	4.65%	$ 452,365	$ 20,626	4.56%
Other Time Deposits	606,399	42,856	7.07	461,806	27,290	5.91	473,283	28,022	5.92
Deposits in Foreign Offices	60,005	4,206	7.01	44,272	2,154	4.87	59,632	4,037	6.77
Short-Term Debt	335,819	26,846	7.99	305,706	17,213	5.63	232,043	12,296	5.30
Long-Term Debt	92,111	6,351	6.89	70,875	4,825	6.81	50,814	3,353	6.60
Total Interest-Bearing Funds	1,591,716	103,490	6.50	1,387,472	74,981	5.40	1,268,137	68,334	5.39
Interest Income/Earning Assets			9.39%			8.31%			8.42%
Interest Expense/Earning Assets			4.97			4.06			3.96
Interest Rate Differential			4.42			4.25			4.46

Non-accrual loan principal is included in average balances, and cash income received thereon is included in interest income.

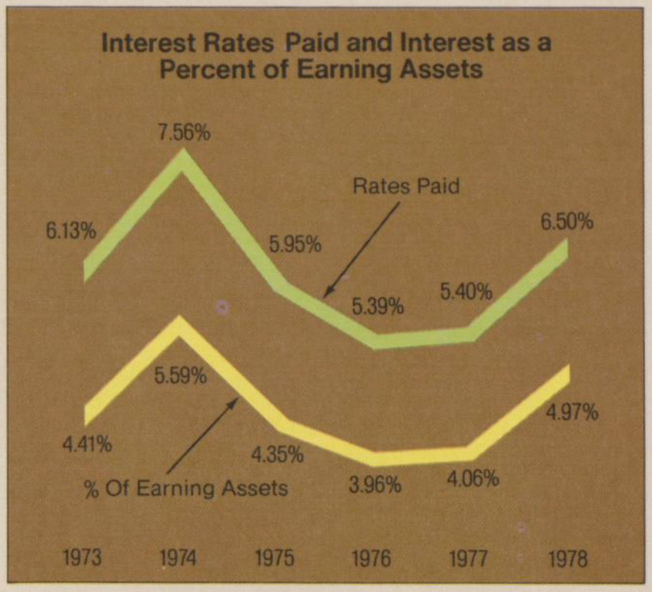
(a) *Includes fees on loans of $709,000 in 1978, $686,000 in 1977, $659,000 in 1976, $695,000 in 1975, $648,000 in 1974, $284,000 in 1973.*

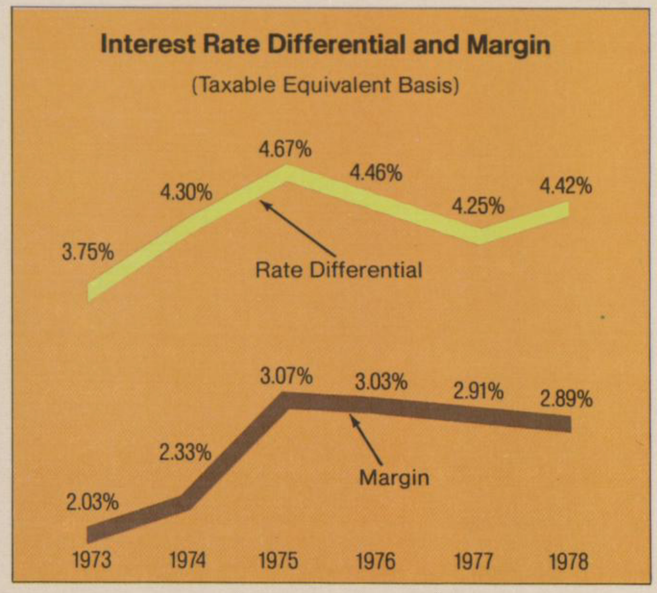
(b) *Includes tax equivalent adjustment, based on a 48% Federal Income Tax rate, of $12,693,000 in 1978, $12,116,000 in 1977, $12,319,000 in 1976, $12,842,000 in 1975, $12,015,000 in 1974, $11,649,000 in 1973.*





1975			1974			1973		
Average Balance	Interest & Fees	Average Rate	Average Balance	Interest & Fees	Average Rate	Average Balance	Interest & Fees	Average Rate
$1,160,557	$109,540	9.44%	$1,226,348	$127,964	10.43%	$1,094,959	$ 91,871	8.39%
189,166	13,606	7.19	149,077	9,624	6.46	152,274	8,578	5.63
283,006	26,669	9.42	273,016	24,984	9.15	287,746	24,246	8.43
68,499	4,234	6.18	59,145	6,230	10.53	70,742	6,340	8.96
35,641	2,678	7.51	43,799	4,375	9.99	30,085	2,489	8.27
1,736,869	156,727	9.02	1,751,385	173,177	9.89	1,635,806	133,524	8.16
$ 396,096	$ 17,719	4.47%	$ 383,829	$ 16,650	4.34%	$ 392,435	$ 16,397	4.18%
529,041	34,128	6.45	525,475	43,090	8.20	474,660	31,051	6.54
99,015	8,237	8.32	116,140	13,115	11.29	93,133	7,745	8.32
193,644	12,073	6.23	213,368	21,409	10.03	168,148	13,659	8.12
52,623	3,446	6.55	55,153	3,583	6.50	48,442	3,234	6.68
1,270,419	75,603	5.95	1,293,965	97,847	7.56	1,176,818	72,086	6.13
		9.02%			9.89%			8.16%
		4.35			5.59			4.41
		4.67			4.30			3.75





Affiliates' Statements

	BANK AFFILIATES				
	Central National Bank	*Centran Bank of Akron*	*Richland Trust*	*Farmers and Savings Bank*	*Sutton State Bank*
BALANCE SHEET—December 31, 1978	(in thousands of dollars)				
Assets					
Earning Assets:					
Commercial Loans	$ 654,727	$ 23,679	$ 15,328	$ 4,868	$ 3,952
Installment Loans	167,462	37,820	13,771	2,909	1,982
Portfolio Mortgage Loans	168,498	65,751	33,279	7,406	5,714
	990,687	127,250	62,378	15,183	11,648
Less Allowance for Loan Losses	14,661	564	1,122	152	115
Net Loans	976,026	126,686	61,256	15,031	11,533
Funds Sold	91,132	6,000	11,000	1,000	500
Due from Banks—Time	361,800	—0—	—0—	—0—	—0—
U.S. Treasury Securities	145,908	21,878	7,009	950	1,101
Federal Agency Securities	118,538	16,962	5,945	950	450
State and Municipal Securities	289,496	26,332	19,542	4,213	2,583
Other Securities	4,823	300	20	—0—	—0—
Trading Account Assets	311	—0—	—0—	—0—	—0—
Total Earning Assets	1,988,034	198,158	104,772	22,144	16,167
Cash and Due from Banks	569,039	9,221	7,950	1,244	663
Premises and Equipment	45,785	4,355	2,017	425	121
Customers' Liability on Acceptances	63,569	—0—	—0—	—0—	—0—
Other Assets	40,670	2,814	999	249	212
Total Assets	$2,707,097	$214,548	$115,738	$24,062	$17,163
Liabilities					
Deposits	$1,922,031	$182,808	$ 98,873	$21,855	$15,438
Borrowed Funds	537,514	9,136	6,379	10	31
Capital Notes	20,000	—0—	600	—0—	—0—
Liability on Acceptances	63,569	—0—	—0—	—0—	—0—
Other Liabilities	22,843	1,407	1,143	259	221
Total Liabilities	2,565,957	193,351	106,995	22,124	15,690
General Reserve	—0—	8,546	—0—	—0—	—0—
Capital:					
Common Stock	26,797	4,473	1,457	300	200
Surplus	55,204	6,527	5,043	700	750
Retained Earnings	59,139	1,651	2,243	938	523
Total Capital	141,140	12,651	8,743	1,938	1,473
Total Liabilities, Reserve and Capital	$2,707,097	$214,548	$115,738	$24,062	$17,163

NON-BANK AFFILIATES—COMBINED

BALANCE SHEET—December 31, 1978

	(in thousands of dollars)
Assets	
Installment Loans:	
COLONIAL FINANCIAL SERVICE, INC.	$39,551
MAJOR FINANCE CORPORATION	12,381
PEOPLES INVESTMENT COMPANY	22,574
PROTECTIVE LOAN CORPORATION	10,554
Total Installment Loans	85,060
Less Allowance for Loan Losses	1,692
Net Loans	83,368
Cash and Due From Banks	885
Other Assets	5,509
Total Assets	$89,762
Liabilities	
Borrowed Funds	$73,112
Other Liabilities	5,338
Capital	11,312
Total Liabilities and Capital	$89,762

STATEMENT OF INCOME—Year 1978

Interest Income	$12,905
Interest Expense	5,125
Interest Differential	7,780
Provision for Loan Losses	1,015
Net Interest Income After Provision	6,765
Other Income	980
Net Operating Revenue	7,745
Salaries and Employee Benefits	3,026
Other Expenses	2,904
Total Operating Expense	5,930
Income Before Taxes	1,815
Income Taxes Thereon	715
Net Income	$ 1,100

Centran
Corporation

Corporate Structure and Operations

Centran Corporation

Centran is a major, regional bank holding company with total assets of more than $3.1 billion. Based on 1977 data, Centran was ranked by asset size as the 68th largest bank holding company in the nation and the 4th largest in Ohio. It ranked 64th among all bank holding companies in millions of dollars of operating earnings.

Although it was also ranked as the 231st largest U.S. corporation last year, Centran's primary business is banking. The assets of its commercial bank affiliates amounted to 97% of Centran's total assets at year-end 1978, with its principal affiliate, Central National Bank, accounting for 86% of the total.

Commercial Bank Affiliates

Central National Bank of Cleveland
800 Superior Avenue; Cleveland, Ohio 44114
Telephone: (216) 861-7800
(After April 9, 1979: (216) 344-3000)
Telex: 98-0174

John A. Gelbach, Chairman
Wilson M. Brown, Jr., President and Chief Executive

Executive Vice Presidents:
James M. Large, Jr.
John M. McEwan
A. W. Redmon
Jack C. Rothwell

Senior Vice Presidents:
Robert C. Bensing
Alan G. Brant
Richard I. Kuhn
Frederick Lynch, Jr.
Gordon J. Sevold
Stephen E. Wall
James H. Wright

Central National is Ohio's third largest bank. It provides complete banking services to individuals and businesses through 50 banking offices in Cuyahoga County, which with its six contiguous counties forms the metropolitan Cleveland market—sixth largest industrial market and ninth largest consumer market in the U.S. Central Bank also provides financial services to commercial, industrial, and institutional customers on a statewide, national, and international basis.

Centran Bank of Akron
157 South Main Street; Akron, Ohio 44308
Telephone: (216) 434-1681

John B. McCarter, Chairman and Chief Executive
Gerald M. Foley, President
James R. Bray, Senior Vice President

Vice Presidents:
Barry W. Brockenbrough
William H. Evans III
Philip M. Hamilton
Thomas D. Johnston
William T. Moore
Henry L. Palombo
William H. Parmelee
Malcolm Rowan

Centran Bank provides full-service banking through 16 offices in Summit County, which is contiguous to southeastern Cuyahoga County and is included in the metropolitan Cleveland market. In addition to retail, commercial, and corporate banking services, Centran provides trust services and is the only Akron bank with complete international services.

The Richland Trust Company
3 North Main Street; Mansfield, Ohio 44901
Telephone: (419) 522-4411

William P. Jilek, President and Chief Executive

Senior Vice Presidents:
Richard L. Adams
S. A. Foltz
D. Eugene Yarger

Vice Presidents:
Harold H. Davis
W. R. McCullough
Harlan McDaid
Jesse T. Mickley
Kenneth M. Robinson
Joseph O. Weirick

Richland Bank operates 10 offices in predominantly urban Richland County, which is located in central northern Ohio between Cleveland and Columbus. It provides full-service banking, including trust services, to individuals and businesses.

The Farmers and Savings Bank
120 North Water Street; Loudonville, Ohio 44842
Telephone: (419) 994-4911

Arnold Girbach, President and Chief Executive
Stanley D. Young, Vice President

Farmers Bank operates two offices in the predominantly rural, southern area of Ashland County, contiguous to eastern Richland County. Although the area is devoted principally to dairy farming, several manufacturers and service businesses also are located in this area.

The Sutton State Bank
1 South Main Street; Attica, Ohio 44807
Telephone: (419) 426-3641
A. J. Sutton, President and Chief Executive

Sutton Bank serves the rural southeast corner of Seneca County, which is northwest of Richland County between Mansfield and Toledo. The area is primarily devoted to the raising of cash crops.

(Affiliate banks are members of Federal Deposit Insurance Corporation)

International Facilities

Central Cleveland International Bank
55 Broad Street; New York, New York 10004
Telephone: (212) 825-9200
Telex: 12-7779 Centralint
Stephen E. Wall, President
George C. Pollard, Senior Vice President and Manager

Central Cleveland is an Edge Act subsidiary of Central National Bank. It is a full-scale operating bank that provides all conventional banking services on an international basis, including import and export financing, letters of credit, collections, funds transfers, and deposit accounts. The bank works closely with Central Bank's International Department and a worldwide network of correspondent banks to facilitate transactions of Ohio corporations and their foreign and New York-based subsidiaries going through East Coast ports.

Paris Representative Office
33, rue Galilee; 75116 Paris, France
Telex: 620615 Paris
Douglas C. Mory, Representative

Mexico City Representative Office
Paseo de la Reforma 292-501; Mexico 6, D.F., Mexico
Telex: 1775722
Timothy L. Nichols, Representative

Staffed by officers of Central Bank's International Department, these representative offices serve the needs of companies doing business in Europe, the Middle East, Mexico, and Central America.

Nassau Branch
P.O. Box 7768; The Bahamas

This branch of Central National Bank provides a capability to facilitate the making of offshore loans.

Non-Bank Affiliates

Colonial Financial Service, Inc.
3125 Independence Drive; Birmingham, Alabama 35209
Telephone: (205) 870-4400
Robert Brannon, Chairman and President
Ben G. McDaniel, Executive Vice President

Colonial Financial Service makes second-mortgage equity loans on properties throughout the southern states.

Centran Finance Group
800 Superior Avenue; Cleveland, Ohio 44114
Telephone: (216) 861-7800
(After April 9, 1979: (216) 344-3000)
Richard E. Greene, Director of Operations
Preston K. Gnagey, Controller

The Centran Finance Group consists of three consumer finance company affiliates—Major Finance, Peoples Investment, and Protective Loan—which make short-term loans to individuals through offices in Kentucky, New York, Ohio, Tennessee, and Virginia.

Investors Income Insurance Company
758 Campbell Centre, Dallas, Texas 75206
Gordon J. Sevold, Chairman and President
Mary C. Fisher, Consulting Actuary

Investors Income Insurance Company reinsures credit life insurance issued in connection with installment loans of Centran's bank affiliates.

Corporate Information

Centran Corporation

Central National Bank Building
800 Superior Avenue
Cleveland, Ohio 44114
Telephone: (216) 687-1200
Telex: 98-0174

Officers

John A. Gelbach — *Chairman and Chief Executive*
Chairman, Central National Bank of Cleveland

Wilson M. Brown, Jr. — *President*
President and Chief Executive, Central National Bank of Cleveland

Gordon J. Sevold — *Treasurer*
Senior Vice President— Financial Planning and Control, Central National Bank of Cleveland

Hubert P. Martin — *Secretary*
Vice President, Secretary and General Counsel, Central National Bank of Cleveland

Gregory R. Poore — *Assistant Secretary*
Assistant Secretary and Assistant Counsel, Central National Bank of Cleveland

Directors

John A. Gelbach
Chairman and Chief Executive, Centran Corporation

Otes Bennett, Jr.
President and Chief Executive, The North American Coal Corporation, mining and marketing of coal

Wilson M. Brown, Jr.
President, Centran Corporation

William F. Hauserman
President, Hauserman, Inc., manufacturer of movable walls, cabinetry and accessories for commercial, industrial and school buildings

Albert M. Higley, Jr.
Chairman and Treasurer, The Albert M. Higley Company, general contractor

George S. Lockwood, Jr.
Managing Partner, Ohio Gas and Oil Development Co., developer of natural gas and petroleum reserves

John J. Loftus
Executive Vice President, Republic Steel Corporation, manufacturer of steel

Morton L. Mandel*
Chairman of the Board and Chief Executive Officer, Premier Industrial Corporation, manufacturer and supplier of industrial maintenance products, firefighting accessories and electronic components

Robert D. McCreery
President, H. L. McCreery and Son, Inc., industrial distributor

Thomas C. Mungenast, Sr.
General Manager, Greater Cleveland Group, Sears, Roebuck and Co., retailing

Arne Obel
Executive Vice President, Diamond Shamrock Corporation, producer of chemical products and developer of petroleum and natural gas

Thomas J. Quigley
Partner, Squire, Sanders & Dempsey, Attorneys-at-Law

Thomas A. Quintrell
Partner, Arter & Hadden, Attorneys-at-Law

Karl H. Rudolph
Chairman of the Board and Chief Executive, The Cleveland Electric Illuminating Co., electric utility

Ward Smith
President and Chief Administrative Officer, White Consolidated Industries, Inc., diversified manufacturer of products for the home and machinery and equipment for industry

Donald G. Stevens
Chemical Consultant and former Senior Vice President, The Standard Oil Company (Ohio), integrated oil company

Renold D. Thompson
Executive Vice President— Operations, Oglebay Norton Company, mining of iron ore, coal and silica sand, transportation and cargo dock service on the Great Lakes, and specialized services and products to the steel industry

Ernest M. Wuliger
President, Ohio-Sealy Mattress Manufacturing Co., bedding manufacturer

**will not stand for re-election at 1979 Annual Meeting.*

Policy Committee

John A. Gelbach
Chairman and Chief Executive, Centran Corporation

Wilson M. Brown, Jr.
President, Centran Corporation

Gordon J. Sevold
Treasurer, Centran Corporation

James M. Large, Jr.
Executive Vice President—Corporate Banking,
Central National Bank of Cleveland

John M. McEwan
Executive Vice President—Retail Banking,
Central National Bank of Cleveland

A. W. Redmon
Executive Vice President—Operations Services,
Central National Bank of Cleveland

Jack C. Rothwell
Executive Vice President—Asset and Liability Management
and Economist,
Central National Bank of Cleveland

James H. Wright
Senior Vice President—Personnel,
Central National Bank of Cleveland

Thomas M. Neel
Vice President and Controller,
Central National Bank of Cleveland

Form 10-K Available to Shareholders

Shareholders may obtain a copy of Form 10-K, filed with the U.S. Securities and Exchange Commission, upon written request to Gordon J. Sevold, treasurer, Centran Corporation, at the address listed on page 44.

This report will be available without charge after March 31, 1979.

Retirement Plan Information

Summary Plan Descriptions and Summary Annual Reports of the employee retirement plans of Centran Corporation's affiliates, furnished to employees pursuant to the Employee Retirement Income Security Act of 1974 (ERISA), are available to shareholders upon payment of a reasonable charge for reproduction and mailing. Written requests should be forwarded to Hubert P. Martin, secretary, Centran Corporation, at the address listed on page 44.

Capital Stock

Centran Corporation's common stock is traded over-the-counter and is included in the NASDAQ system under the symbol, "CENB." Price quotations appear in the National List.

The Corporation's preferred stock is not publicly traded.

Market and Dividend Information

The high and low bid prices of Centran's common shares, as reported by NASDAQ, and the dividends paid on such shares in each quarterly period during the past two years are listed in the following table. The asked price of the common shares generally is 50 cents higher than the bid price.

	Quarter	Dividend	High	Low
1977	First	$.45	$26⅞	$25
	Second	.475	26⅜	25¾
	Third	.475	27	25¾
	Fourth	.475	25¾	23¾
1978	First	.475	25¼	23¼
	Second	.50	26⅜	25¼
	Third	.50	26⅞	24¼
	Fourth	.50	25¾	23¼

Annual Meeting of Shareholders

Centran Corporation's Annual Meeting of Shareholders will be held at 9:30 a.m. Tuesday, April 17, 1979, in the Central National Bank Building, 800 Superior Avenue, Cleveland, Ohio.

Transfer Agent

Morgan Guaranty Trust Company of New York
30 West Broad Street
New York, New York 10015

Shareholders should direct inquiries concerning dividend checks, the automatic dividend reinvestment plan, or their shareholder records to the transfer agent. Please indicate that your correspondence is "Reference: Centran Corporation."

Independent Auditors

Ernst & Ernst
1300 Union Commerce Building
Cleveland, Ohio 44115

Additional Information Contacts

Analysts, other members of the investment community, and shareholders desiring financial information about Centran Corporation should contact Gordon J. Sevold, treasurer, at (216) 687-1200, extension 3267.
After April 9, 1979, dial direct: (216) 344-5603.

News media representatives should contact Roger H. Hippsley, director of communications and public relations, at (216) 687-1200, extension 2336.
After April 9, 1979, dial direct: (216) 344-3734.

Centran
Corporation

Centran
Corporation

800 SUPERIOR AVENUE
CLEVELAND, OHIO 44114